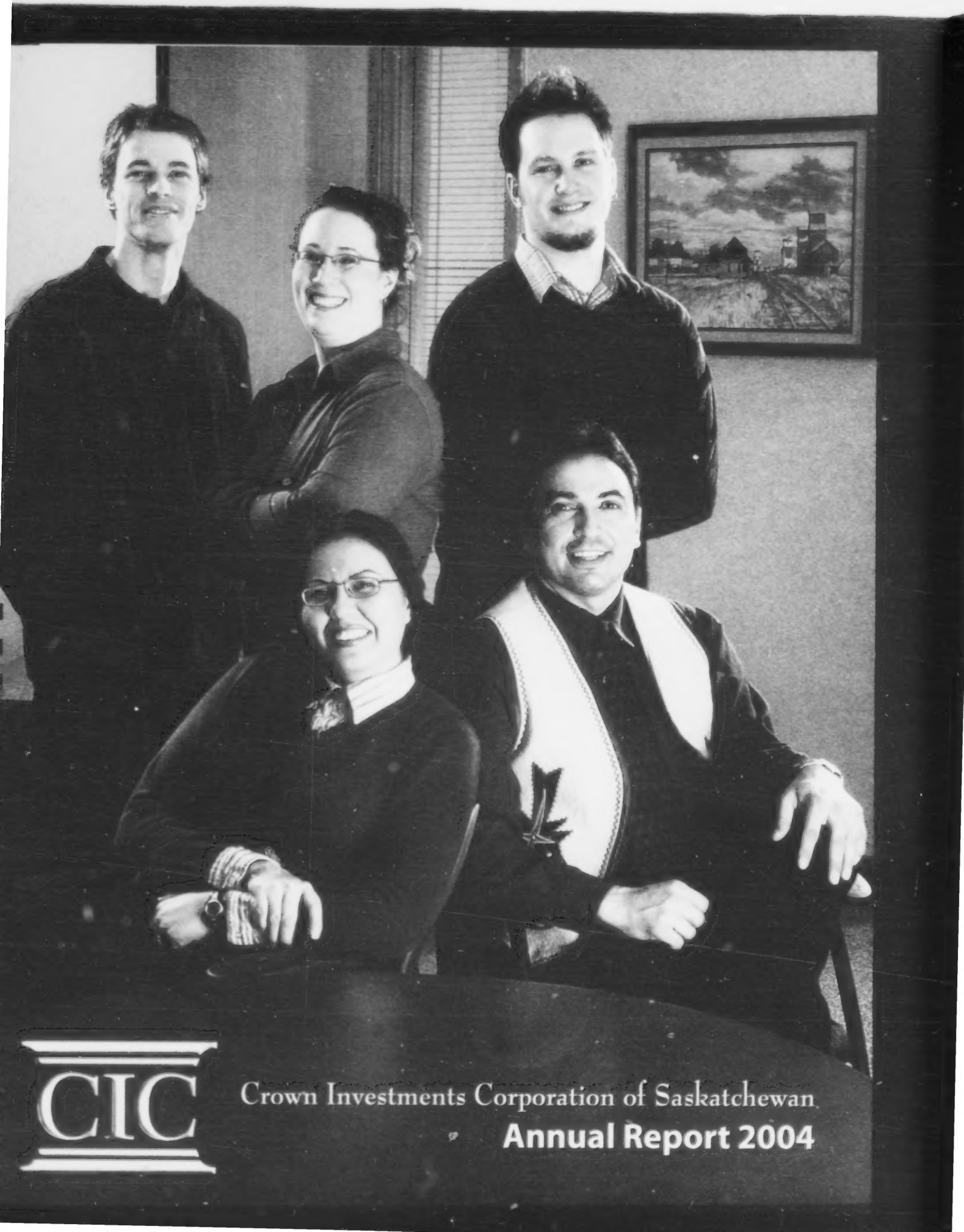


CIC

Crown Investments Corporation of Saskatchewan

Annual Report 2004

Table Of Contents

2004 Highlights	Inside front cover
Letter of Transmittal	1
Chair's Message	2
President's Message	3
Corporate Profile	4
Policy and Programs	17
Governance	26
Strategic Direction & Performance Reporting	29
Management's Discussion & Analysis	37
Consolidated Financial Statements	63
Non-Consolidated Financial Statements	94
Directory	Inside back cover

CIC

In Memoriam

CIC's 2004 Annual Report is dedicated to the memory of Joanne Greer, a CIC employee for more than 17 years, who died on August 15, 2004. She is missed by her friends and colleagues at CIC.

On the Cover

This year we profile CIC's Gradworks internship program. In the back row are CIC's three interns, (left to right) **Justin Kaczynski**, Junior Information Systems Assistant; **Erin Kessler**, Benefits Assistant; and **Jared Carlson**, Communications Intern (Graphic Designer). In the front row are **Shannon Roberts**, Gradworks Program Coordinator; and **Perry Bellegarde**, Vice President, Labour & Aboriginal Initiatives. For more information on Gradworks, see page 22.

Photo by Calvin Fehr of Calvin Fehr Photography.

2004 Financial Highlights

Crown Sector/Consolidated Results

2004

Assets	$8.1 billion
Debt at year end	$3.4 billion
Debt ratio (ratio of consolidated debt to debt plus equity)	50.7%
Capital spending	$1.0 billion
Revenue	$4.1 billion
Profit/net earnings	$312.1 million
Return on equity (ratio of earnings to the average amount of shareholder's equity)	9.6%
Dividend to GRF	$268.0 million

Historical

Debt reduction since 1995	$1.2 billion
Dividends and equity repayments since 1995	$2.1 billion

Notes:

1. Crown Sector/Consolidated Results refers to the combined results for CIC as the holding company and its subsidiary Crown corporations. For more details on these highlights, see the Management's Discussion & Analysis section, and the Consolidated Financial Statements.
2. The fiscal year for CIC and its subsidiary Crown corporations is January 1 to December 31.
3. For financial results for CIC as the holding company, see the Non-Consolidated Financial Statements.

Honourable Pat Atkinson, Minister of Crown Management Board, and CIC President and CEO Tom Waller.

2004 Policy and Program Highlights

Crown Investments Corporation (CIC)

- Developed a methodology for calculating the annual costs of a Basic Utility Bundle for jurisdictions across Canada (see page 17).
- Administered the Utility Bundle Rebate Program, which provided a rebate of $137 to 380,000 Saskatchewan households in December (see page 17).
- Contributed a special dividend of $5 million on behalf of the Crown sector, to the province's General Revenue Fund (GRF) for the 2005 Centennial celebrations.
- Contributed a special dividend of $75 million on behalf of the Crown sector, to the GRF for the Canadian Agricultural Income Stabilization (CAIS) program.
- Introduced new accountability measures for the Crown sector, including: staggered tabling dates for annual reports; quarterly financial reporting; and the mailing of a summary annual report for the Crown sector to all households in the province.
- Introduced two initiatives under the five-year $20 million commitment to hire more youth and aboriginal people in Saskatchewan's Crown corporations: a bursary program for aboriginal students at the University of Regina and First Nations University of Canada; and an internship program in the Crowns for recent post-secondary graduates (see page 22).

CIC's Subsidiary Crowns

- SaskPower announced it will complete the Rushlake Creek wind power facility in 2005. This will add 150 megawatts of zero emission energy, which is enough to provide green power to 64,000 homes.
- In 2004, SaskTel's high speed internet service was available to more than 74 per cent of the population in 237 Saskatchewan communities. Under Phase II of CommunityNet, SaskTel will be expanding high speed internet service in Saskatchewan over the next three years to include virtually every community of 200 people or more, and every community of 100 people or more with a school. As a result, high speed access will reach approximately 86 per cent of the population.
- By the end of 2004, SaskEnergy's ENERGY STAR Loan Event and past Prime Rate Loans Programs had provided $38.3 million in prime rate loans. These loans allowed more than 10,000 customers to upgrade their natural gas appliances, which will save them about $8.6 million annually in interest and energy costs.
- SGI's Safe Driver Recognition discount increased from a maximum of eight, to a maximum of nine per cent in 2004. To the end of 2004, the program had provided discounts of $57 million to safe-driving vehicle owners in Saskatchewan.
- As of 2004, SaskWater was providing potable and non-potable water to 49 municipal customers, 37 industrial customers and 42 public water boards, user groups, cooperatives and pipeline associations.
- The Saskatchewan Transportation Company serves 275 Saskatchewan communities, and through interline partnerships with other carriers reaches almost 400 communities in the province. STC buses logged more than 3.1 million passenger miles in 2004.

105-05186/

Letter Of Transmittal

Regina, Saskatchewan
March 31, 2005

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the twenty-seventh Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2004 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,

Pat Atkinson

Pat Atkinson
Minister of Crown Management Board

Chair's Message

Saskatchewan's Crown corporations have been providing high quality, reliable, affordable services to Saskatchewan citizens for more than 100 years. They play a vital role in our province's economy by providing thousands of jobs across Saskatchewan, buying most of their goods and services from local suppliers, and partnering with hundreds of businesses to provide insurance, natural gas and phone service to the people of our province. As we celebrate Saskatchewan's Centennial in 2005, it is important to reflect on these contributions so we can prepare our Crowns for a new century of excellence and service to Saskatchewan people.

In 2004, the provincial government passed legislation to ensure that public ownership of our Crown corporations will be maintained into our next century. *The Crown Corporations Public Ownership Act* was introduced and passed in the fall 2004 legislative session. This legislation requires that before the sale of specified Crown assets a full and public debate, and ultimately a provincial election, must take place so the people of Saskatchewan have the final say. We believe this legislation will accomplish what Saskatchewan people have asked for – the preservation of our cherished Crown corporations for generations to come.

In 2004, we kept our commitment to provide Saskatchewan families with the lowest-cost bundle of basic utility rates in Canada. Cost comparisons during 2004 showed that Saskatchewan would have the second lowest annual cost for a basket of rates that includes residential electricity and natural gas, basic phone service, and auto insurance. By providing a rebate of $137 to 380,000 households, Saskatchewan's bundle cost was the lowest in the country for 2004.

We took several steps in 2004 to improve accountability in our Crown corporations, including: quarterly financial reporting; independent third party reviews of proposed investments; mailing a summary annual report to all homes in the province; and expanding disclosure of payee information to the Crown and Central Agencies Committee of the Legislature. Our goal is to exceed private sector standards for disclosure.

Financially, our Crown corporations earned $312.1 million from revenues of $4.1 billion in 2004. Due to the good financial performance of the Crowns, CIC was able to provide a dividend of $268 million to the General Revenue Fund, money that will be used to provide support for health, education, infrastructure and agriculture in Saskatchewan.

Over the last 100 years Saskatchewan Crown corporations have provided solid financial returns, a commitment to communities, and high quality, reliable service with affordable rates to Saskatchewan people. We look forward to building on the legacy of our Crown corporation sector as we celebrate Saskatchewan's 100th birthday and embark on a new century in our province's history.

I am pleased to present CIC's 2004 Annual Report.

Pat Atkinson

Pat Atkinson
Minister of Crown Management Board
Chair of the Board of Directors

President's Message

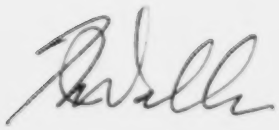
I was pleased to accept the position of President and CEO of CIC effective March 1, 2004. It has been a year of accomplishments and challenges, and I believe we can all take pride in the progress we have made in our Crown sector in a number of areas.

As the Chair has mentioned, one of the major accomplishments of the year was meeting the commitment to the lowest-cost bundle of basic residential utility rates in Canada. We are very proud of the work done by CIC officials to develop the methodology for the bundle, to continually monitor costs across the country, and to design and deliver the utility bundle rebate program.

We made great strides in 2004 on another major initiative in the Crown sector, the commitment to hire more young and aboriginal people in our Crowns. Young and aboriginal people are among our greatest assets, so we need to provide opportunities that will keep them in our province. One of the best ways of doing that is by setting an example in our Crowns, which are some of Saskatchewan's largest employers. We set the foundation in 2004 by establishing a bursary program for aboriginal students enrolled in the University of Regina or First Nations University of Canada. We followed that with Gradworks, an internship program in our Crowns for recent post-secondary graduates. Early in 2005 we announced a Mathematics and Science Enrichment Program at the University of Saskatchewan to prepare aboriginal students for further study or careers in the maths and sciences. We are optimistic that these programs, and others to be announced, will move us toward our goals of providing more opportunities for our young people, and having a representative workforce in our Crowns.

In financial terms, 2004 was another good year for our Crown corporation sector. Consolidated earnings of $312.1 million were down $33.3 million from 2003 ($345.4 million restated), but revenue of $4.1 billion was up $173.3 million ($3.9 billion restated for 2003). We were also able to provide total dividends of $268 million to the province's General Revenue Fund. This included a regular dividend of $188 million and special dividends of $80 million – $5 million for Centennial projects and events, and $75 million for the Canadian Agricultural Income Stabilization (CAIS) program.

As we reflect on the financial, policy and program achievements of our Crown sector in 2004, we look forward to another prosperous, progressive year in 2005.



Tom Waller, Q.C.
President and CEO

Corporate Profile

CIC is the financially self-sufficient holding company for 11 subsidiary commercial Crown corporations and one major investment, NewGrade Energy Inc. Summary information on these holdings begins on page 10. Detailed information is in the Management's Discussion and Analysis section starting on page 50.

Saskatchewan's earliest Crown corporations were formed even before the province joined Confederation in 1905. These corporations were established because residents felt government should provide certain essential services that were either not offered by private companies, or not available to all residents on a fair and equitable basis. The four guiding principles were that the services provided by these government-owned corporations should be:

- universal, or available to everyone;
- reliable;
- of high quality; and
- offered at a reasonable cost.

These principles still hold today, as we prepare to celebrate Saskatchewan's Centennial in 2005. The priority of our Crowns is to serve Saskatchewan people first. The Crowns must also balance public policy objectives with commercial and financial objectives. They are expected to contribute to the economy and to provide a good return on investment to their shareholders, the people of Saskatchewan.

The Government Finance Office (GFO) was established in 1947 to act as a holding company for many of Saskatchewan's Crown corporations and to be a mechanism for developing broad policy control, directing investment, and routing dividends into the government's consolidated fund. In 1978, the GFO was renamed Crown Investments Corporation of Saskatchewan. *The Crown Corporations Act, 1993,* is the current governing legislation.

CIC's Vision

CIC provides strategic focus to the Crown corporation sector. CIC is financially self-sufficient and is a leader in facilitating economic growth.

CIC's Mission

We are the Province of Saskatchewan's holding company that:

- provides strategic direction for subsidiary Crown corporations through effective governance and performance management; and
- enhances Saskatchewan's long-term economic growth and diversification through Crown corporations.

CIC's Values

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and
- being a model employer by developing our employees' knowledge and skills.

CIC Board of Directors

The Crown Management Board of Directors, also known as the CIC Board of Directors, is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. At December 31, 2004, the CIC Board consisted of six members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council. The CIC Board is a key Cabinet committee which acts as a liaison between Cabinet and Crown corporations. The Board makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The CIC Board met 21 times in 2004.

The CIC Board's key responsibilities are to:

- set strategic direction for the Crown sector;
- provide oversight to subsidiary Crown corporations by setting performance expectations, allocating capital within the sector, and monitoring and evaluating performance;
- provide oversight to CIC management by approving business plans and budgets, and monitoring and evaluating corporate performance; and
- act as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

CIC Board at December 31

Honourable Pat Atkinson, Chair,
is Minister of Crown Management Board, Minister Responsible for Immigration, and Minister Responsible for the Public Service Commission.

Honourable Maynard Sonntag, Vice-Chair,
is Minister of First Nations and Metis Relations, Minister of Highways and Transportation, and Minister Responsible for SaskTel, SGI and STC.

Honourable Eric Cline, Q.C.,
is Minister of Industry and Resources, and Minister Responsible for Investment Saskatchewan, ISC and SGGF.

Honourable Frank Quennell, Q.C.,
is Minister of Justice and Attorney General, and Minister Responsible for SaskPower.

Honourable Harry Van Mulligen,
is Minister of Finance, Government House Leader, and Minister Responsible for SaskEnergy and the Saskatchewan Development Fund Corporation.

Honourable Mark Wartman,
is Minister of Agriculture and Food.

Did You Know?
The four major Crown corporations – SaskPower, SaskTel, SaskEnergy and SGI – spend about $500 million a year on capital projects right here in Saskatchewan.

CIC Management

The responsibilities of CIC management are to:

- serve as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made;
- develop and implement Crown sector policies;
- manage the Crown sector strategic and performance management model;
- serve as the CIC Board's communications link with Crown boards and management;
- co-ordinate the implementation of policy within the Crown sector;
- manage CIC's operations;
- take responsibility for the preparation, reliability and integrity of the financial statements; and
- monitor emerging issues in CIC's business environment.

At December 31, 2004, CIC had 54 employees in its four divisions, organized as follows:

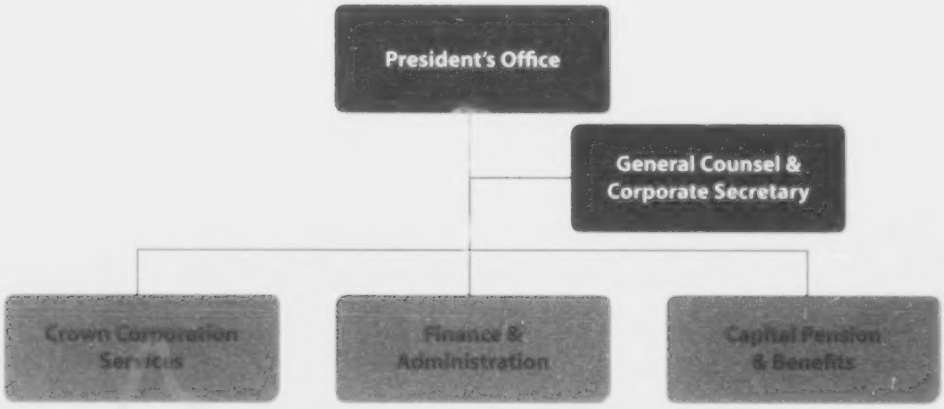
President's Office & General Counsel
Responsible for the overall direction of CIC. It includes the President's Office and the General Counsel & Corporate Secretary functions, as well as the Communications, Human Resources, Government Relations, and public-private partnerships (P3) units. The division had 18 employees.

Crown Corporation Services
Develops and implements policy for the Crown corporation sector. It provided corporate secretary services for Crown boards of directors, coordinated development of a strategic plan for CIC and the Crown sector, was responsible for overseeing performance management systems at CIC and in the Crown sector, provided business analysis, and took the lead on issues such as the utility bundle and rebate program. The division had 17 employees.

Finance & Administration
Provides sector-wide financial reporting, forecasting and financial analysis to the CIC Board on CIC and Crown corporation financial performance targets and capital budgets. The division also manages CIC's budget, financial transactions, cash and debt positions, Crown sector dividend and capital allocation policy, and corporate information technology and administration services. The division had 12 employees.

Capital Pension & Benefits
Responsible for the administration of the multi-employer Capital Pension Plan and a group benefits program. It also holds, in trust, the Pension Plan's Funds for members and anyone else entitled to benefits under the Plan. The division had 7 employees.

During the latter part of 2004, CIC was being reorganized to better reflect its duties. This reorganization was completed in early 2005. It resulted in the transfer of some staff from Crown Corporation Services and the renaming of that division to Strategy & Governance. Two new divisions were created: Economic Initiatives, and Labour & Aboriginal Initiatives. Finance & Administration took on additional responsibilities, while Capital Pension & Benefits remained unchanged.



CIC organizational structure as of December 31, 2004

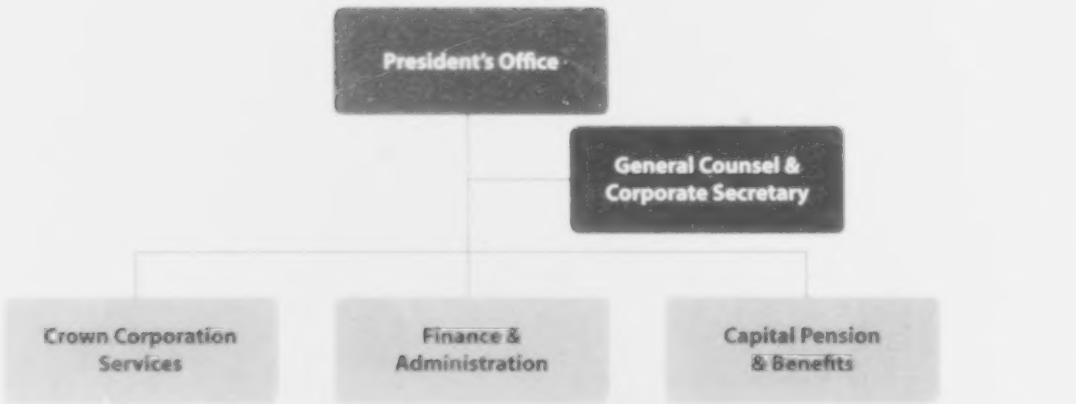
Tom Waller, Q.C., President and Chief Executive Officer, is a lawyer with Bachelor of Arts and Bachelor of Laws degrees, who was appointed Queen's Counsel in 1995. He has been a practising lawyer since 1973 and was a partner in the Regina law firm Olive Waller Zinkhan & Waller prior to joining CIC in 2004.

Doug Kosloski, General Counsel and Corporate Secretary, is a lawyer with Bachelor of Commerce, Bachelor of Arts, and Bachelor of Laws degrees, and has 12 years of experience in both the private and public sectors.

Kathryn Buitenhuis, Acting Senior Vice-President, Crown Corporation Services, has Master of Administration and Bachelor of Science degrees and nearly 32 years of public service, with strategic planning, information technology development, business development and performance management experience.

Blair Swystun, Vice-President and Chief Financial Officer, has Master of Business Administration and Bachelor of Science degrees, and is a Chartered Financial Analyst charterholder with 22 years of financial management experience within the public service.

Ken Klein, Executive Director, Capital Pension and Benefits, has a Bachelor of Arts degree, is a Certified Employee Benefits Specialist and a Fellow, Chartered Insurance Professional with more than 30 years of experience.



CIC organizational structure as of December 31, 2004

Tom Waller, Q.C., President and Chief Executive Officer, is a lawyer with his Bachelor of Arts and Bachelor of Laws degrees, who was appointed Deputy Minister in 1995. He has been a practising lawyer since 1973 and was a partner in the Regina law firm Gray Waller Zinkhan & Waller prior to joining CIC in 2004.

Doug Kosloski, Vice-President and General Counsel and Corporate Secretary, is a lawyer with Bachelor of Commerce, Bachelor of Arts and Bachelor of Laws degrees and has 13 years of experience in both the private and public sectors.

Kathryn Buitenhuis, Acting Senior Vice-President, Crown Corporations Sector, has Master of Administration and Bachelor of Science degrees and brings 19 years of public service with strategic planning, information technology development, business development and performance management experience.

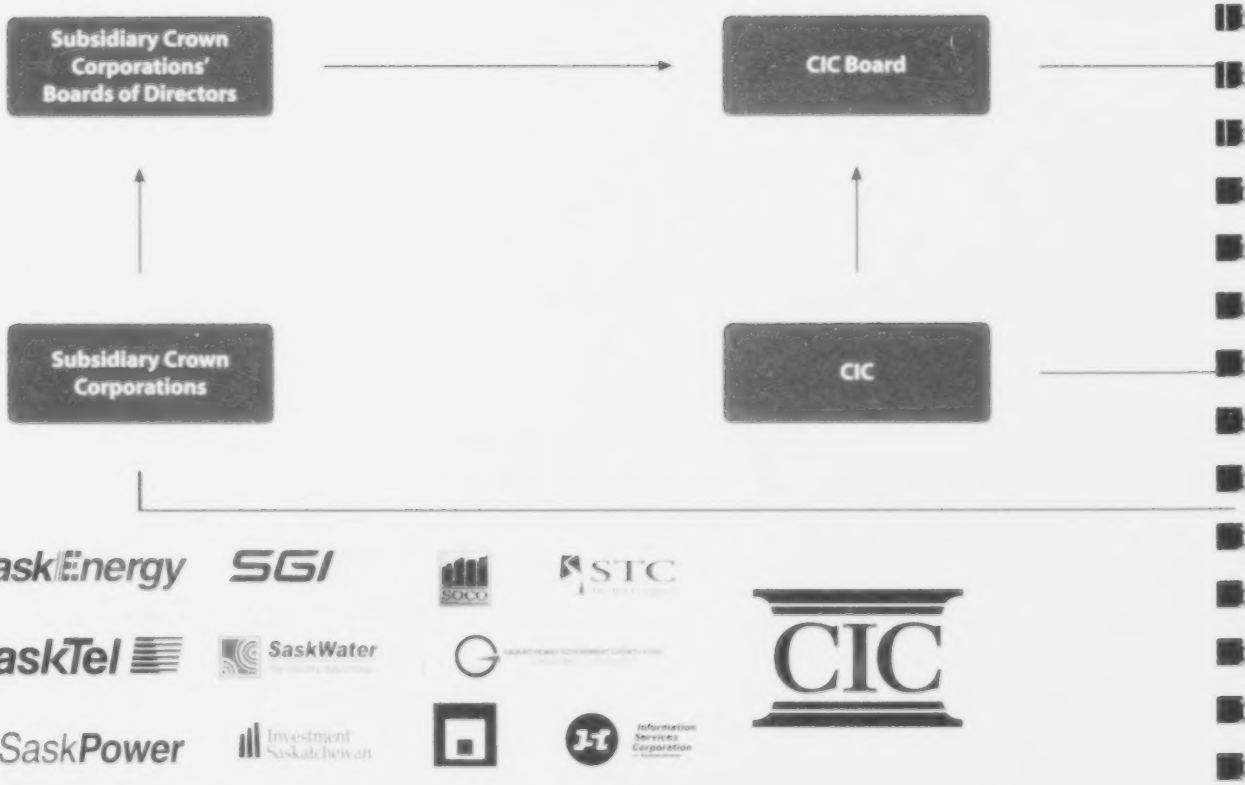
Blair Swystun, Vice-President and Chief Financial Officer, has Master of Business Administration and Bachelor of Science degrees, and is a Chartered Financial Analyst (charterholder) with 22 years of financial management experience within the public service.

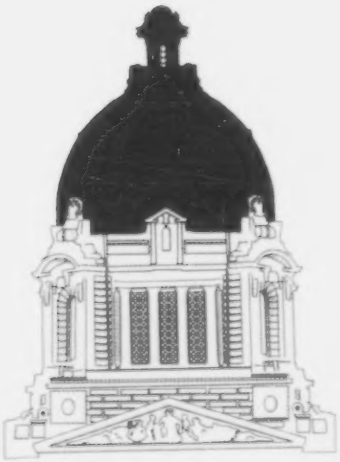
Ken Klein, Executive Director, Capital Pension and Benefits, has a Bachelor of Arts degree, is a Certified Employee Benefits Specialist and a Fellow, Chartered Insurance Professional with more than 30 years of experience.

Financial and Public Accountability Structure

Crown Investments Corporation of Saskatchewan Board of Directors

1 Honourable Pat Atkinson
2 Honourable Eric Cline, Q.C.
3 Honourable Frank Quennell, Q.C.
4 Honourable Maynard Sonntag
5 Honourable Harry Van Mulligen
6 Honourable Mark Wartman





Cabinet → Saskatchewan Legislative Assembly → Public

Crown and Central Agencies Committee

CIC's Holdings

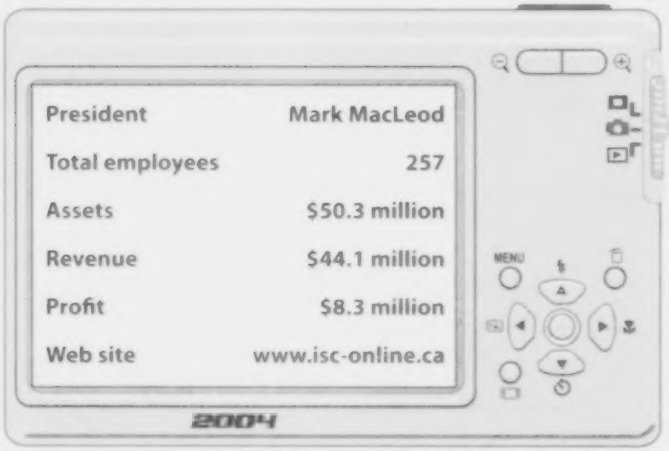
2004 Snapshot

For more detailed information on these holdings, see pages 50 to 61 of the Management's Discussion and Analysis, or refer to the Crowns' web sites for their annual reports.

Information Services Corporation of Saskatchewan

Information Services Corporation of Saskatchewan (ISC)

ISC was established on January 1, 2000 as a wholly-owned subsidiary of CIC. ISC is responsible for the administration of land titles and survey legislation, and the Personal Property Registry. Its mandate includes the re-evaluation, redesign and automation of Saskatchewan's land titles system and its integration with the provincial survey, mapping and geographic information systems, including the development of a foundation for common services.

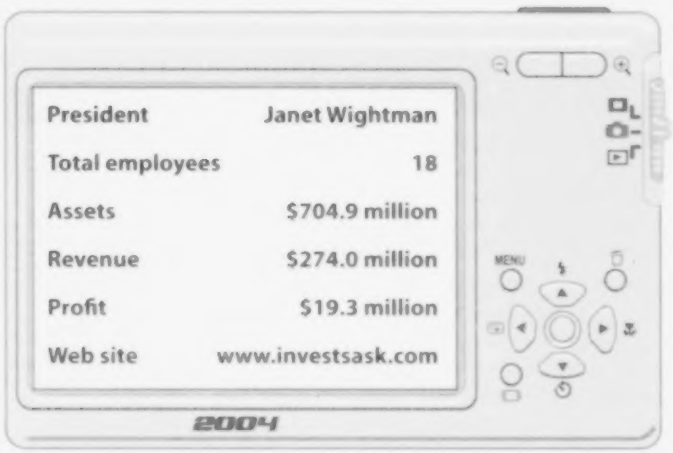


President	Mark MacLeod
Total employees	257
Assets	$50.3 million
Revenue	$44.1 million
Profit	$8.3 million
Web site	www.isc-online.ca

Investment Saskatchewan

Investment Saskatchewan Inc.

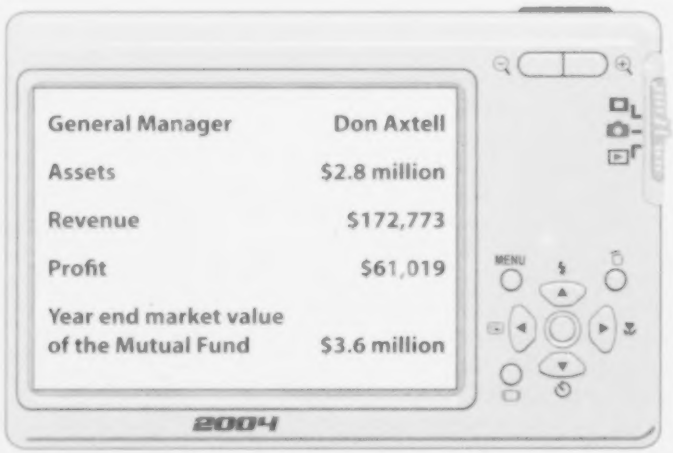
Investment Saskatchewan was formerly known as CIC Industrial Interests Inc. It became a stand alone subsidiary in September 2003. The corporation's mandate is to enhance Saskatchewan's long-term economic growth and diversification by providing investment capital and financing, and to prudently manage portfolios of commercially viable investments.



President	Janet Wightman
Total employees	18
Assets	$704.9 million
Revenue	$274.0 million
Profit	$19.3 million
Web site	www.investsask.com

Saskatchewan Development Fund Corporation

The Saskatchewan Development Fund Corporation was established in 1974 to manage a mutual fund open to investment by Saskatchewan residents. The corporation later expanded its product line by offering: RRSPs, Deferred Profit Sharing Plans and term certain annuities. By 1982 the mutual and annuity funds had grown to a combined total of about $42 million. In 1983 the corporation discontinued the sale of new investments. Since then, it has focused on meeting the needs of the remaining clients and on the orderly wind-down of the remaining assets.



General Manager	Don Axtell
Assets	$2.8 million
Revenue	$172,773
Profit	$61,019
Year end market value of the Mutual Fund	$3.6 million

Note: The corporation has no direct employees. CIC staff provide executive and administrative services to the corporation. The corporation does not maintain a web site. A copy of the 2004 annual report can be obtained by contacting the corporation at (306) 787-5914.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

Saskatchewan Government Growth Fund Management Corporation (SGGFMC)

SGGFMC is a wholly-owned subsidiary of CIC which was established in 1989. It has operated under the federal government's Immigrant Investor Program (IIP), creating and managing subsidiary fund companies to raise venture capital from new Canadian immigrants. The IIP ended on March 31, 1999, but the capital raised will need to be managed for at least the next five years. Management services were contracted to Crown Capital Partners Inc. on October 1, 2000.

Note: SGGFMC has no direct employees. CIC staff provide executive and administrative services to the corporation.

President	Don Axtell
Assets	$4.1 million
Revenue	$3.2 million
Profit	$0.5 million
Total assets under management	$102.6 million
Web site	www.sggfmc.com

2004

SGI

Saskatchewan Government Insurance (SGI)

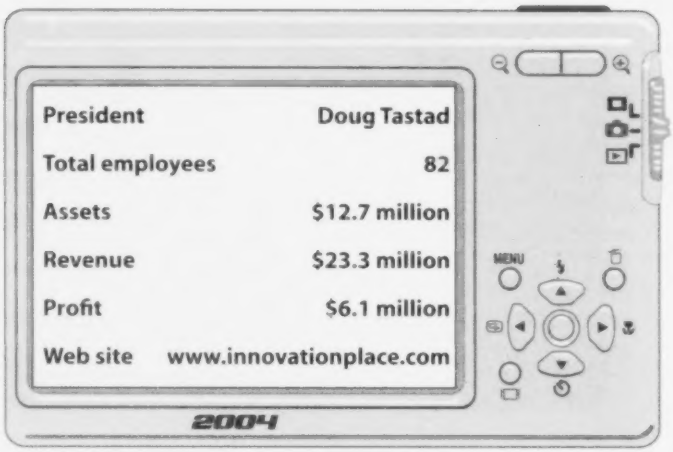
SGI was established in 1945 to provide affordable, good quality insurance to Saskatchewan people. Under the trade name SGI CANADA, which is a wholly-owned subsidiary of CIC, it conducts a competitive property and casualty insurance business offering a comprehensive line of home, tenant, farm, automobile extension and commercial coverage. SGI also acts as the administrator of the Saskatchewan Auto Fund, the province's compulsory auto insurance program – a not for profit operation which does not receive money from, or pay dividends to, the province.

	SGI CANADA	Auto Fund
President	Jon Schubert	
Total employees	1,526	
Assets	$534.1 million	$1.1 billion
Revenue	$294.8 million	$597.1 million
Profit	$41.7 million	$125.3 million
Web site	www.sgi.sk.ca	

2004

Saskatchewan Opportunities Corporation (SOCO)

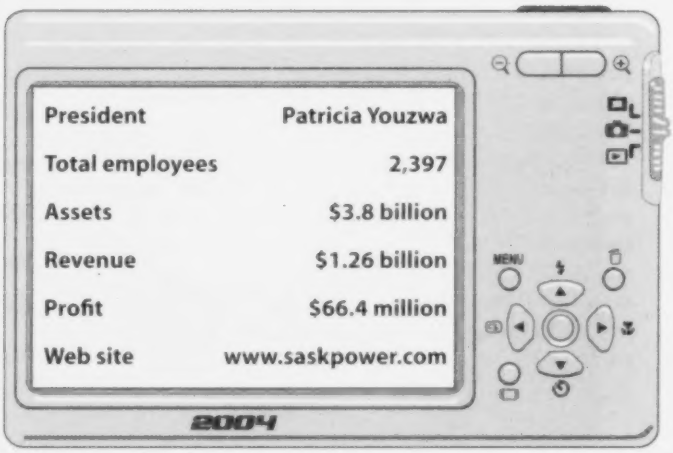
SOCO is a wholly-owned subsidiary of CIC which was established in 1994. In 2002 SOCO's investment portfolio moved to CIC and has since moved to Investment Saskatchewan. SOCO supports the growth and success of Saskatchewan's technology sector through the operation of the Saskatchewan Forest Centre in Prince Albert, and two research parks: Innovation Place in Saskatoon, and the Regina Research Park. These research parks attract businesses that lead development in their respective sectors.



SaskPower

Saskatchewan Power Corporation (SaskPower)

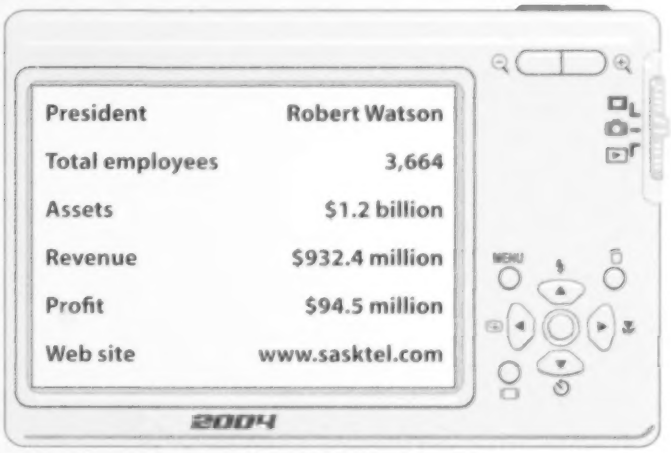
SaskPower is a wholly-owned subsidiary of CIC that was established as the Saskatchewan Power Commission in 1929. Its purpose was to provide safe, reliable, cost-effective power to Saskatchewan people. Today SaskPower is the principal supplier of electricity in Saskatchewan. It generates, purchases, transmits, distributes and sells electricity and related products and services to more than 436,000 residential, farm, industrial and commercial customers.



SaskTel

Saskatchewan Telecommunications (SaskTel)

SaskTel is a wholly-owned subsidiary of CIC which was established as the Department of Railway, Telephones and Telegraphs in 1908. Its goal was to provide cost-effective service to as many farms, homes and businesses as possible. The corporation is now recognized as a leading communications company. SaskTel provides 425,000 residential and business customers with competitive voice, data, dial-up and high speed internet, wireless, digital television and e-business solutions.

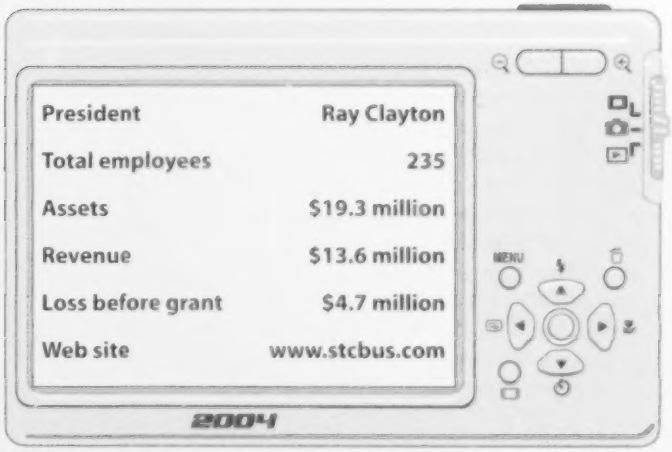


President	Robert Watson
Total employees	3,664
Assets	$1.2 billion
Revenue	$932.4 million
Profit	$94.5 million
Web site	www.sasktel.com

STC
The Bus Company

Saskatchewan Transportation Company (STC)

STC is a wholly-owned subsidiary of CIC that has been providing passenger transportation, parcel express and freight services throughout the province since 1946. The bus company was established to ensure that as many communities as possible had access to reasonably priced transportation. Today STC serves 275 communities in the province, providing more than 3.1 million passenger miles in service each year.

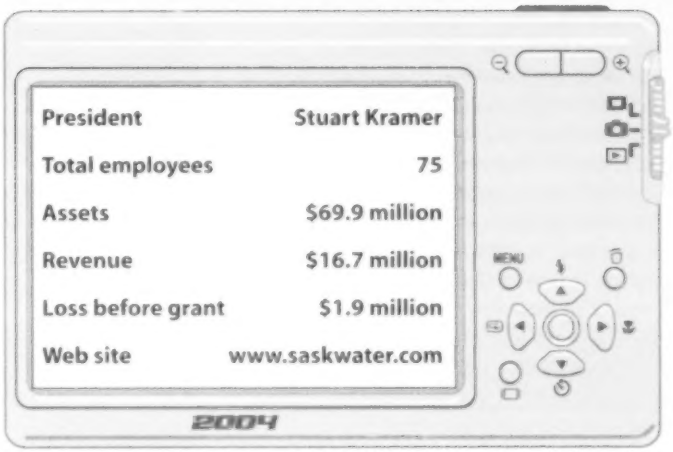


President	Ray Clayton
Total employees	235
Assets	$19.3 million
Revenue	$13.6 million
Loss before grant	$4.7 million
Web site	www.stcbus.com

SaskWater
The Quality Advantage

Saskatchewan Water Corporation (SaskWater)

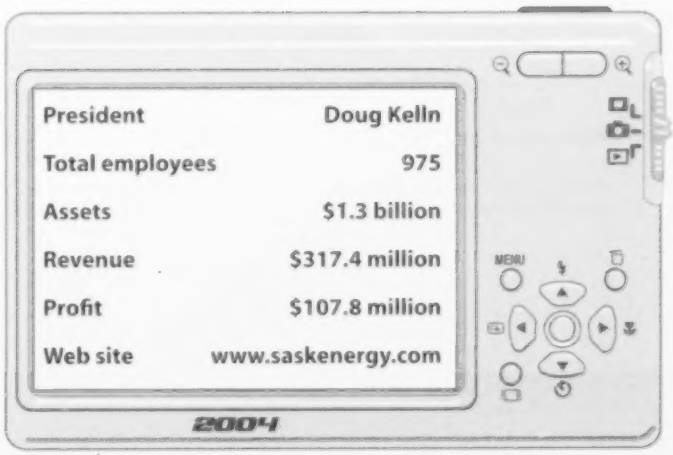
SaskWater is a wholly-owned subsidiary of CIC which was established in 1984. The corporation, which has its headquarters in Moose Jaw, supplies water to municipal, industrial, and pipeline association customers in the province. It also offers certified operation and maintenance of customer-owned water and wastewater treatment facilities, program management to government customers, and project management of infrastructure projects.



SaskEnergy

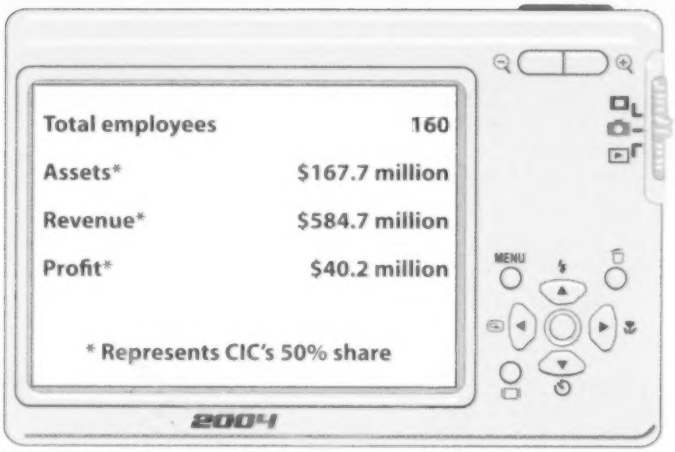
SaskEnergy Incorporated (SaskEnergy)

Saskatchewan's provincially owned natural gas system began operations in 1952. SaskEnergy, which is a wholly-owned subsidiary of CIC, was formed in 1988 to continue providing natural gas transmission and distribution services across the province. The system has grown substantially over the years, with service now extended to more than 90 per cent of Saskatchewan communities. Today SaskEnergy provides safe, reliable and economical natural gas service to more than 327,000 residential, farm, commercial and industrial customers in the province.



NewGrade Energy Inc. (NewGrade)

NewGrade operates a heavy oil upgrader in Regina in conjunction with a refinery owned by Consumers' Co-operative Refineries Ltd. (CCRL), which is a wholly-owned subsidiary of Federated Co-operatives Ltd. of Saskatoon. The upgrader processes heavy crude oil into synthetic crude oil. It was built in 1988 and began operation in November of that year. CIC and CCRL each have a 50 per cent interest in NewGrade. NewGrade was a direct investment by CIC, not CIC Industrial Interests Inc. (CIC III), so it stayed with the holding company when CIC III became a stand-alone subsidiary and was renamed Investment Saskatchewan.



Did You Know?
Saskatchewan's Crown corporations supported more than 15,000 Saskatchewan businesses in 2004 through their policy of buying goods and services from local suppliers.

Policy and Programs

Utility Bundle Commitment and Rebate Program

In 2003, Premier Lorne Calvert made a commitment that Saskatchewan families would enjoy the lowest-cost bundle of basic utility rates in Canada. The bundle includes residential electricity and natural gas, basic phone service, and car insurance.

CIC developed a methodology for calculating the bundle costs, and then compared 2003 costs for major centres, rural communities, and northern communities across Canada. These benchmark comparisons, made public in May 2004, showed that Saskatchewan's total bundle cost was slightly higher than Manitoba's in major centres and rural communities. CIC continued to monitor utility costs across Canada during 2004. Projections near year-end showed that Saskatchewan's bundle cost would continue to be second lowest unless action was taken. CIC determined that by providing a rebate of $137 to 380,000 Saskatchewan households, government would meet its commitment for the lowest-cost utility bundle for 2004.

2004 Provincial Utility Bundle Cost Rankings

Provinces	Total Bundle Cost	CIC Utility Bundle Rebate	Total Bundle Cost With CIC Rebate	Variance to Sask.	Rank
British Columbia	$ 3,662		$ 3,662	$ 503	3
Alberta	4,291		4,291	1,132	5
Saskatchewan	**3,296**	**($137)**	**3,159**	**0**	**1**
Manitoba	3,160		3,160	1	2
Ontario	5,834		5,834	2,675	10
Quebec	4,127		4,127	968	4
New Brunswick	4,797		4,797	1,638	7
Nova Scotia	5,323		5,323	2,164	8
Prince Edward Island	4,654		4,654	1,495	6
Newfoundland	5,718		5,718	2,559	9

Notes:
The table shows the weighted average rates for major centres, rural and northern communities in each province. Costs are for the full calendar year. The calculations do not represent actual consumption charges in each jurisdiction. They represent Saskatchewan's consumption patterns with each jurisdiction's rates.

Calculations for individual bundle components were based on the annual cost for:

- a single line residential touch-tone phone;
- 8,100 kilowatt hours of electricity (average annual consumption for residential use);
- 3,550 cubic metres of natural gas (average annual consumption for residential use); and
- insurance for a composite of the most common vehicles registered in Saskatchewan and a selection of driver profiles.

These costs include any natural gas or electricity rebates, and any auto insurance discounts such as good driver discounts. The costs do not include municipal surcharges, or provincial or federal taxes.

Telephone, electricity, natural gas and auto insurance charges reflect the rates that were in effect from January 1 to December 31, 2004. The exceptions are the BTU heating equivalent charge for fuel oil in the Maritimes (based on the average fuel oil costs for 2004), and the electric heating equivalent for The Pas, Manitoba (based on the electrical rates in effect during 2004).

Policy and Programs

Utility Bundle Commitment and Rebate Program

In 2003, Premier Lorne Calvert made a commitment that Saskatchewan families would enjoy the lowest cost bundle of basic utility rates in Canada. The bundle includes residential electricity and natural gas, basic phone service, and car insurance.

CIC developed a methodology for calculating the bundle costs and then compared 2003 costs for major centres, rural communities, and northern communities across Canada. These benchmark comparisons, made public in May 2004, showed that Saskatchewan's total bundle cost was slightly higher than Manitoba's in major centres and rural communities. CIC continued to monitor utility costs across Canada during 2004. Projections near year-end showed that Saskatchewan's bundle cost would continue to be second lowest unless action was taken. CIC determined that by providing a rebate of $137 to 480,000 Saskatchewan households, government would meet its commitment for the lowest cost utility bundle for 2004.

2004 Provincial Utility Bundle Cost Rankings

Provinces	Total Bundle Cost	CIC Utility Bundle Rebate	Total Bundle Cost With CIC Rebate	Variance to Sask.	Rank
British Columbia	$ 3,662		$ 3,662	$ 503	8
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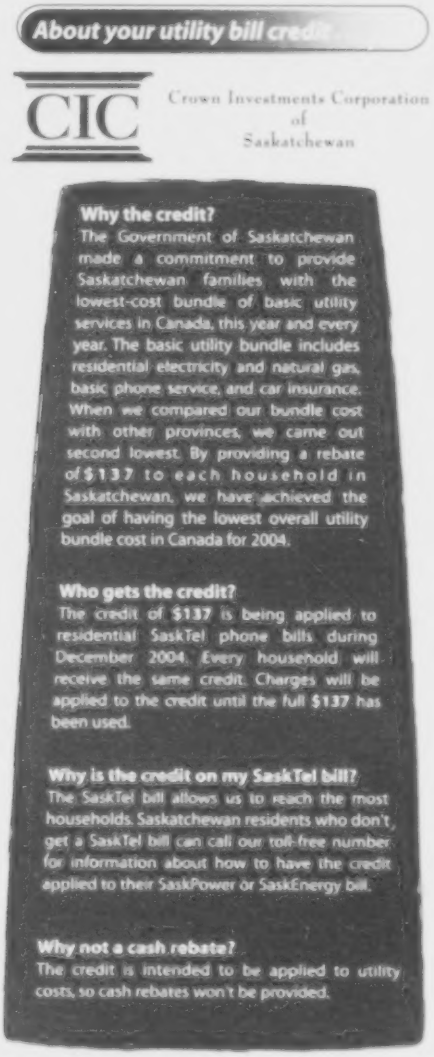
Newfoundland	5,718		5,718	2,559	9

Utility Bundle Commitment and Rebate Program (continued)

CIC developed and administered the utility rebate program. Most households received the rebate automatically on their December phone bill from SaskTel. Those who did not, were able to fill out application forms to request the rebate on their power or energy bill. CIC reduced its 2004 dividend to the province's General Revenue Fund by $54.1 million to pay for the program. Actual costs to December 31 were $52.0 million.

Subsequent to year-end, the national accounting firm Meyers Norris Penny reviewed CIC's cross-Canada comparisons and bundle calculations for 2004, and validated the results. The review also validated CIC's methodology for determining that a rebate of $137 to 380,000 households would result in Saskatchewan having the lowest-cost basic utility bundle for 2004. The Meyers Norris Penny report is available on CIC's web site at **www.cicorp.sk.ca**


About your utility bill credit
CIC
Crown Investments Corporation of Saskatchewan
Why the credit?
The Government of Saskatchewan made a commitment to provide Saskatchewan families with the lowest-cost bundle of basic utility services in Canada, this year and every year. The basic utility bundle includes residential electricity and natural gas, basic phone service, and car insurance. When we compared our bundle cost with other provinces, we came out second lowest. By providing a rebate of $137 to each household in Saskatchewan, we have achieved the goal of having the lowest overall utility bundle cost in Canada for 2004.
Who gets the credit?
The credit of $137 is being applied to residential SaskTel phone bills during December 2004. Every household will receive the same credit. Charges will be applied to the credit until the full $137 has been used.
Why is the credit on my SaskTel bill?
The SaskTel bill allows us to reach the most households. Saskatchewan residents who don't get a SaskTel bill can call our toll-free number for information about how to have the credit applied to their SaskPower or SaskEnergy bill.
Why not a cash rebate?
The credit is intended to be applied to utility costs, so cash rebates won't be provided.
For more information call:
1-866-366-6611
(Mon-Fri ● 9am-9pm)
or visit: www.cicorp.sk.ca

Did You Know?
Saskatchewan's Crown corporations employ more than 9,200 people all across the province. More than 8,500 of those people work for the four major Crowns – **SaskPower, SaskTel, SaskEnergy and SGI.**

Saskatchewan Rate Review Panel

The Saskatchewan Rate Review Panel (SRRP) was established in 2000 as an advisory body to government on proposed rate changes. In 2002, the Panel's term was extended for three more years.

SRRP's role is to conduct reviews of rate changes proposed by SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). The panel hires consultants, holds public meetings, and seeks input from individuals and organizations. It considers the interests of the customer, the Crown, and the public, and then provides the Minister of Crown Management Board with an opinion on the fairness and reasonableness of the proposed change(s).

Government's commitment to providing the lowest-cost bundle of basic residential utility rates did not affect the workings of the panel in 2004. Government did not ask the panel to consider rate change proposals in light of how they would affect Saskatchewan's bundle costs. That responsibility remained with Cabinet. The panel still has an important role to play as an advisory body to government, especially because the bundle does not apply to business or commercial rates.

In 2004, SRRP conducted two rate reviews. Proposed changes to the Saskatchewan Auto Fund were withdrawn by SGI in October. SGI received new information from an external actuary forecasting an improved financial picture for the Auto Fund, making a rate increase unnecessary for the immediate future. The panel had not yet provided its opinion on the proposed rate increase.

In December the panel reported on a rate increase proposal from SaskPower. Government had approved an interim average 9 per cent rate increase effective September 1, 2004. After conducting its review, the panel recommended reducing the increase. In January 2005 government accepted the panel's recommendations. It approved a reduced system-wide average rate increase of 5.65 per cent, retroactive to September 1, 2004. SaskPower was directed to issue a credit to all customers, with interest, for the amount over-collected from them between September 1, 2004 and February 28, 2005. The credit appeared on electricity bills in March 2005.

The members of the panel at December 31, 2004 were:

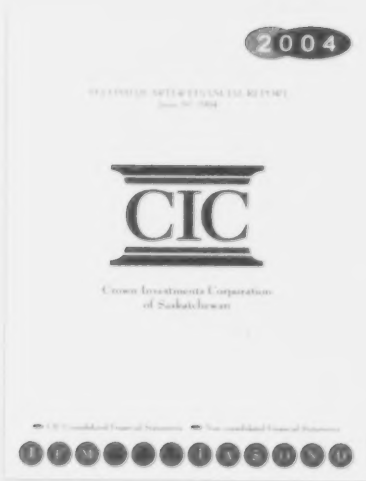
- Boris Kishchuk, Saskatoon, Chair
- Jack Boan, Regina, Vice-Chair
- Jo-Ann Carignan-Vallee, Assiniboia
- Bernadette Garrett, Landis
- Joan Meyer, Swift Current
- Ken Pontikes, Saskatoon
- Pam Smith, Regina
- Linda Thauberger, Regina

For more information on SRRP, see the panel's web site at **www.skrrp.com**

Commitment to Greater Accountability

CIC and its subsidiary Crowns are committed to being more open and accountable to their owners – the people of Saskatchewan. The goal is to meet requirements and standards of the private sector. In 2004, the following steps were taken to improve transparency and accountability:

- In April, CIC and its Crowns began the practice of tabling their annual reports on different days. The purpose is to allow more public scrutiny of each report. In the past, all reports had been tabled on the same day.
- In June, CIC developed and mailed to all homes in Saskatchewan, a 2003 Summary Annual Report for the Crown sector. The document included a report on the utility bundle and the cross-Canada cost comparisons that were made public in May.
- CIC and its subsidiary Crowns began issuing quarterly financial reports. Within 60 days of the end of each quarter, each Crown publishes its report on its web site. The annual report takes the place of the fourth quarter report for each Crown.
- CIC and its subsidiary Crowns continued to appear before the Crown and Central Agencies Committee of the Legislature, at the Committee's request, to answer questions. Ministers of each Crown began the practice of appearing with their officials whenever possible.
- CIC and its subsidiary Crowns began providing more detailed information to the Committee. The Crowns now provide names and amounts for all: employees who receive more than $50,000 annually in salary and taxable benefits; suppliers who receive more than $50,000 annually for goods and services; and grants, contributions, donations and sponsorships of more than $5,000.



Reporting of Significant Transactions

In 1997 CIC developed guidelines for reporting on significant transactions. The guidelines were approved by the CIC Board and the Legislature's Standing Committee on Crown Corporations, now known as the Crown and Central Agencies Committee.

A significant transaction is broadly defined as one that is material (value greater than one per cent of the Crown's assets), and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Crowns must also report transactions that do not fall under these conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Examples would include external investments or the creation of a subsidiary. Crowns are exempted from reporting details of transactions in some cases where there is a need for confidentiality regarding commercially sensitive and/or competitive information.

The policy requires that CIC, its Crowns, and their subsidiaries, report significant transactions to the Crown and Central Agencies Committee within 90 days of the transaction. Reports, which may be given to the Committee verbally, must describe the objectives of the transaction, its financial implications, and the authority for the transaction.

The following significant transactions were reported to the Crown and Central Agencies Committee in 2004:

- Investment Saskatchewan Inc. – Changes to governance and structure of CIC Industrial Interests Inc. (CIC III).
- Investment Saskatchewan Inc. – Merger of the Swine Genetics Business of Genex Swine Group Inc. and Nutreco International B.V., and the purchase of $2.2 million of shares in Genex Swine Group Inc.
- Investment Saskatchewan Inc. – Financial restructuring.
- SaskEnergy – Incremental acquisition of equity interest in Heritage Gas Limited.
- SOCO – Transfer of Research Park assets and liabilities to General Revenue Fund (GRF).
- SaskTel – Sale of operating assets of Retx, Inc.

Independent Reviews of Proposed Investments

As of April 2004, all significant new investments by Crown corporations must be reviewed by an independent third party before being approved by the Crown Management Board and Cabinet. The purpose of the policy is to improve due diligence and to provide advice that will help Crown Management Board and Cabinet make informed decisions about proposed investments.

The policy applies to any new investment that's intended to generate revenue or to diversify, whether inside or outside of Saskatchewan. The policy does not apply to investments related to a Crown's core mandate, such as enhancing its basic utility infrastructure in Saskatchewan. If an investment is ultimately approved by Cabinet, the Crown will make public as much detail as possible about the review.

Investment Saskatchewan is exempt from the policy because investments are its core mandate, and it has an independent board of directors whose members have specific expertise in venture capital and other kinds of investments.

In 2004 there were two independent third party reviews of proposed investments. One was related to an incremental investment by SaskTel in Navigata Communications, a company that provides a full range of telecommunications products and services. The other was related to SaskTel's establishment of a company in the United Arab Emirates which will provide professional consulting services.

Commitment to Youth and Aboriginal People

In 2003, Premier Lorne Calvert announced that CIC, on behalf of the Crown sector, would invest $20 million over the next five years to hire more young and aboriginal people in the CIC Crown corporations. There are two main goals:

- To renew the workforce in the Crown sector, where it is estimated that more than half of the current Crown employees (about 5,000 people) will retire by 2017; and
- To offer young and aboriginal people a bright future in Saskatchewan by providing them with opportunities to stay in the province to pursue their careers and raise their families.

In June 2004, CIC announced the first program under this commitment. CIC will provide up to $2 million over five years for bursaries for aboriginal students enrolled in undergraduate programs at First Nations University of Canada, or the University of Regina or its federated colleges.

To qualify, students must be Status Indian, non-status Indian, Metis or Inuit, and they must demonstrate financial need. Each bursary recipient receives $2,500 per semester, or $5,000 per academic year. Bursaries were awarded to 34 students in 2004. CIC expects to assist up to 165 students over the five-year life of the program.

The Gradworks internship program was the second program announced under this commitment. The program was formally launched in February 2005, after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in the CIC Crown corporations. The program is intended for those who have little or no work experience. The purpose is twofold: to provide educated young people with job opportunities in Saskatchewan, and to give them valuable work experience that may lead to permanent jobs in the Crowns, and will make them attractive candidates for other employers.

Each internship is for 12 months. CIC pays the interns' gross salary of $2,300 per month, which the Crowns may top up at their expense. Internship opportunities are posted on the Gradworks web site, where potential interns register and apply for the jobs. CIC and its Crowns hired 15 interns in 2004. The goal is to hire 85 more in 2005, and 250 altogether over the five-year life of the program.

Gradworks will operate as a non-profit corporation which is a subsidiary of CIC, and it will get its annual funding from CIC. The long-term goal is for government departments and the private sector to join Gradworks. For more information on Gradworks, go to **www.gradworks.ca**

gradworks.
INTERN DEVELOPMENT PROGRAM

Commitment to a Green and Prosperous Economy

A key initiative of the Government of Saskatchewan is the development of a Green and Prosperous economy. The Crown sector in Saskatchewan has a large role to play in the development of environmentally friendly business. To support this important initiative, CIC has encouraged all subsidiary Crown corporations to track environmental performance through the Balanced Scorecard performance management system.

In 2004, all Crown corporations reported positive results in environmental performance management. For example, SaskPower is ahead of schedule in the implementation of wind power generation and has made progress in the development of Environmentally Preferred Power projects and Distributed Power Generation. In 2005 SaskPower will complete the Rushlake Creek wind power facility, which will add 150 megawatts of zero emission energy. That's enough to provide green power to 64,000 homes.

SaskEnergy made significant progress in achieving long term greenhouse gas emission targets and the Saskatchewan Opportunities Corporation continues to be a leader in waste reduction and energy efficiency. In addition to these achievements, the Saskatchewan Transportation Company (STC) has begun a pilot project with biodiesel fuel additives and has made efforts to improve the fuel efficiency of its fleet of coaches.

CIC will continue to play a role in developing economic initiatives. In 2005 CIC will assist in forming a partnership with the private sector to establish an Entrepreneurial Foundation. This Foundation will provide Saskatchewan entrepreneurs with access to business mentors and commercial business development resources to help them complete investment ready business plans. CIC will also develop an Entrepreneurial Venture Capital Fund with private capital and private sector management. The Fund will respond to the investment ready business plans that have passed through the Entrepreneurial Foundation. It will fill a need by providing venture capital for start-up and expanding businesses, where other venture capital funding is not available.

Corporate Social Responsibility

CIC and its employees are committed to showing leadership by supporting charities and community organizations and events throughout Saskatchewan. CIC's donations and sponsorships policy gives priority to initiatives which benefit children or disadvantaged people, or which address educational, health, social, cultural, or recreational needs. CIC also supports events and organizations with ties to CIC's business interests, such as professional associations or conferences in which its employees are involved.

As well, CIC supports charitable organizations and events which touch the lives of CIC employees. One example is the Canadian Cancer Society's annual Relay for Life marathon in Regina. Cancer survivors and their supporters take part in the marathon and raise money through pledges from individuals and corporations.

CIC's 2004 Relay for Life Team
(Back row, left to right) Christie Donauer, Don Axtell, Rod Ward, Pat Hunter. (Front row, left to right) Glayne Axtell (survivor), Carla Stouffer, MaryAnn McDonald, Deb Ruhr (survivor). Missing: Denise Parisian and Dion Elliott.

Did You Know?
In 2004 Saskatchewan's four major Crown corporations – SaskPower, SaskTel, SaskEnergy and SGI – donated more than $5.5 million to local charities, and community projects and events, many of which would not be able to do their good works without this support.

United Way

United Way 2004

United Way is the largest annual fundraising event undertaken by CIC and its employees. During a designated week, employees contribute money by taking part in events at the office. They also donate through cash, cheques and the payroll deduction plan. The corporation then matches the funds raised by employees. In 2004 the corporation and its employees donated $4,100 to the Regina United Way and $1,118 to the Saskatoon United Way, for a total of $5,218.

Saskatchewan Centennial 2005

CIC and its subsidiary Crowns and their employees will be very involved in events throughout the province in 2005 to celebrate Saskatchewan's Centennial. In 2004 CIC provided a special dividend of $5 million to the province's General Revenue Fund for Centennial projects and events. The Crowns will also be providing funding and volunteers for other Centennial-related activities through their regular donations and sponsorships budgets.

Saskatchewan Centennial 2005

Governance

For the purposes of this report, governance describes the processes, structures and functions that CIC uses to direct and oversee the management of the Crown sector so it effectively fulfills its mandate.

CIC communicates shareholder (government) direction to its subsidiary Crown corporations and monitors their performance against targets approved by the CIC Board. CIC does this by applying the Strategic and Performance Management Model.

Crown Sector Strategic and Performance Management Model

1

Performance Objectives and Capital Allocation

2

Balanced Scorecard - A Generic View

CIC Board Responsibility

Public Purpose Expectations	**Measurements**	**Customer & Stakeholder Expectations**	**Measurements**
The Crown sector contributes to the overall social and economic well-being of the province.	Job creation Representative workforce Goods sourced in Saskatchewan Services and product accessibility	The Crown sector provides high quality goods and services valued by the people of Saskatchewan, at a competitive price.	Customer satisfaction index Market share and retention
Innovation & Learning Expectations	**Measurements**	**Financial Expectations**	**Measurements**
The Crown sector has a skilled and motivated workforce, is innovative and positioned to prosper.	Value added by new initiatives Employee satisfaction index	The Crown sector provides an appropriate return to the people of Saskatchewan.	Return on equity Dividends declared Debt ratio

3

Crown Corporation Actions

Crown Board Responsibility

4

Governance

For the purposes of this report, governance describes the processes, structures and functions that CIC uses to direct and oversee the management of the Crown sector so it effectively fulfills its mandate.

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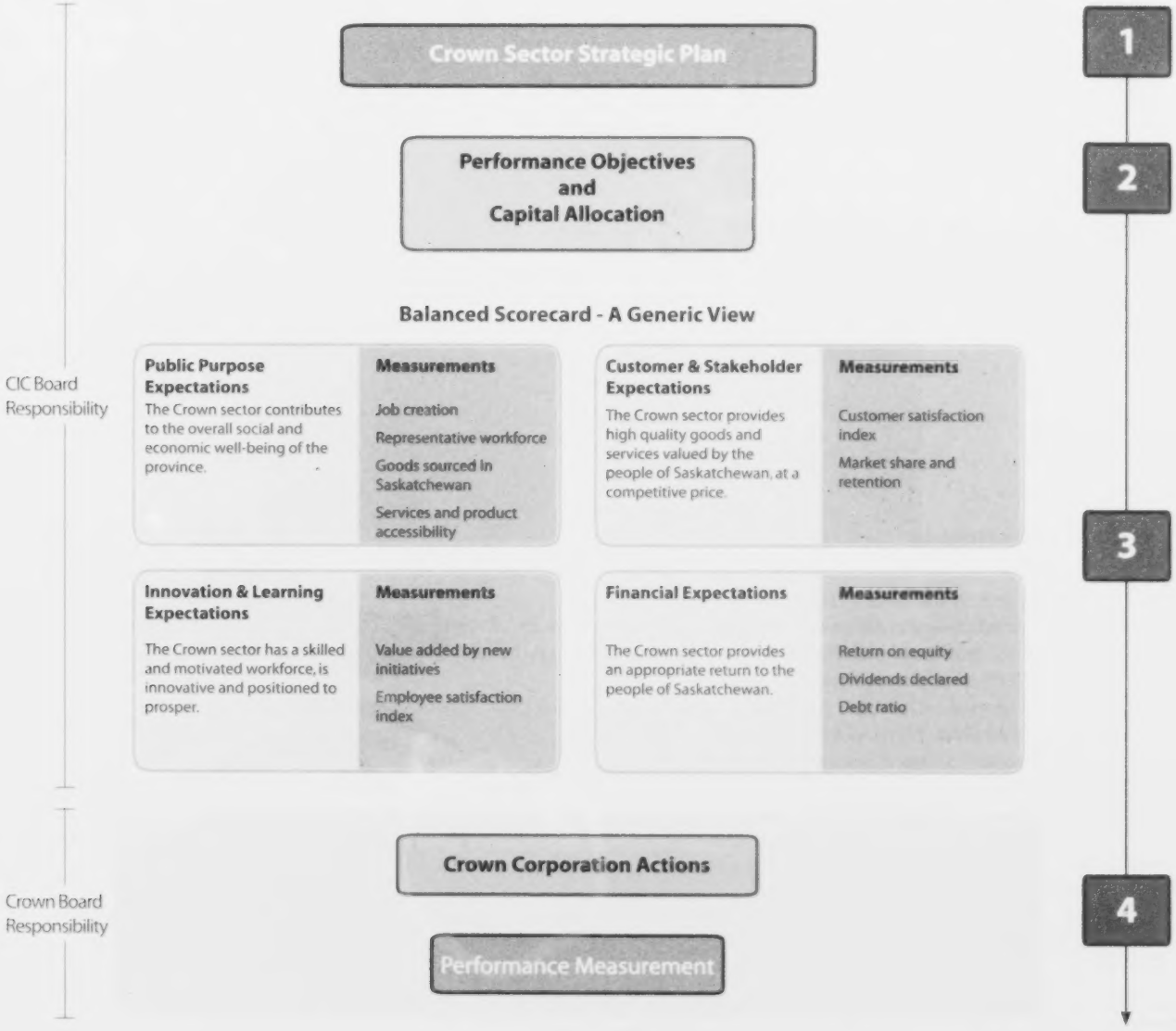
Crown Sector Strategic and Performance Management Model


Crown Sector Strategic Plan
1
Performance Objectives and Capital Allocation
2
Balanced Scorecard - A Generic View
CIC Board Responsibility
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The Crown sector contributes to the overall social and economic well-being of the province.
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Employee satisfaction index
Financial Expectations
The Crown sector provides an appropriate return to the people of Saskatchewan.
Measurements
Return on equity
Dividends declared
Debt ratio
Crown Board Responsibility
Crown Corporation Actions
4
Performance Measurement

1

The first stage in the process is the development of the Crown Sector Strategic Plan. CIC leads this development. The Plan articulates shareholder expectations and provides long-term direction to the Crown sector. It also provides a guiding vision statement, and defines the Crown sector's primary business purposes, common business values, and strategic business objectives.

2

The second stage is performance management through the establishment of annual performance objectives and capital allocation. Each subsidiary Crown prepares a comprehensive performance management plan that links the broad strategic directions established in the Crown Sector Strategic Plan with specific activities detailed in its corporate business plan. Every year, the CIC Board reviews and approves each Crown's performance management plan.

3

The third stage is development of each Crown's Balanced Scorecard. The scorecard reflects a balanced view of corporate objectives, measures and targets from core, and sometimes competing perspectives. The four perspectives are: Public Purpose; Customer & Stakeholder; Innovation & Learning; and Financial. The Crowns may customize their Balanced Scorecards according to their unique needs and circumstances, as long as they reflect these four core perspectives.

4

The final stage is to ensure that actions taken by each Crown are aligned with the Crown Sector Strategic Plan, that capital is appropriately distributed within the corporation, and that business plans are implemented to support the high level scorecard targets. This is the responsibility of each Crown's board of directors. Each Crown's annual report contains a summary of the key objectives, measures and targets of its balanced scorecard, demonstrating the linkage to the Crown Sector Strategic Plan and to its business initiatives.

Did You Know?
Saskatchewan's four major Crown corporations – SaskPower, SaskTel, SaskEnergy and SGI – spent more than $1.6 billion in 2004 on local purchasing and system improvements.

Subsidiary Crown Corporation Governance Initiatives

CIC's initiatives in this area are directed at strengthening the governance, performance and accountability of its subsidiary Crown corporation boards. The objective is to help the boards fulfill their responsibilities for overseeing and directing the management of Crown corporations.

Director Development
Since 1998, CIC has sponsored a comprehensive training program for the directors of its subsidiary Crown corporations. In 2004, CIC delivered one orientation and two regular training sessions.

The orientation session was intended for recently appointed directors. It provided an introduction to the role and primary duties of boards and an overview of best governance practices. Topics addressed included: techniques and processes to support effective decision-making; the characteristics of high-functioning boards; board, director and CEO evaluation practices; board renewal strategies; the legal responsibilities and liabilities of directors; strategic and succession planning; and a review of corporate governance trends.

The first regular training session focused on best practices of boards and ways to enhance board and director performance. The second regular session addressed current developments in Canadian corporate governance standards, and highlighted the board's role in promoting an ethical corporate culture.

In addition to the orientation and training sessions, CIC distributed several topical publications related to corporate governance as part of its Directors' Reading Program.

Accountability and Transparency
CIC has developed tools to assist Crown boards in evaluating and enhancing overall board performance, as well as the performance of chairs, committees and individual directors. All Crown boards annually evaluate some aspect of board or director performance. The evaluations assist the boards in identifying areas for improvement, gaps in skill sets on the board, and individual or collective professional development needs.

CIC has encouraged the Crowns to improve their disclosure and reporting practices in their annual reports. Since 2002, the Crown boards have included in the annual report a corporate governance statement that describes and benchmarks their governance practices to the TSX Corporate Governance Guidelines.

Board Renewal
To perform effectively, boards must have the right mix of backgrounds and skill sets, as well as any training required to augment their capabilities. In 2004, several new directors were appointed to CIC's subsidiary Crown boards, bringing fresh perspectives, diverse backgrounds and new skills to boardroom deliberations. This included the appointment of more youth and aboriginal members. There is now youth and aboriginal representation on each board.

Communicating Shareholder Expectations
The open exchange of shareholder expectations and views with its subsidiary Crown boards remains a priority for CIC. In 2004, senior CIC officials held four meetings, and the Minister of Crown Management Board met once, with Crown board chairs to discuss issues of mutual interest. Subsidiary Crown board chairs continued to submit regular reports to the CIC Board highlighting major Crown board activities and significant corporate initiatives and risks.

Audit Committees – The New Regulatory Regime
CIC established an Ad Hoc Committee of Audit Committee Chairs in 2004. The purpose of the committee is to review recent governance and regulatory developments related to audit committee functions and auditor oversight, and to recommend adoption of new standards. The Ad Hoc Committee is expected to present its recommendations to CIC later in 2005.

Strategic Direction and Performance Reporting

The Crown Sector Strategic Plan

The Crown Sector Strategic Plan provides a guiding vision for the Crown sector. It defines the Crown sector's primary business purposes, common business values, and strategic business objectives. CIC assumes the leadership role in the development of the Crown Sector Strategic Plan. The Plan's objective is to articulate shareholder expectations and to provide long-term direction. This facilitates long-term planning and the development of strategies within individual Crown corporations that are aligned with the shareholder's overall strategic direction.

Performance Reporting Using the "Balanced Scorecard"

CIC uses a widely accepted performance management system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format. CIC provides its Board with quarterly progress reports on its performance relative to targets. The CIC Balanced Scorecard contains four perspectives which are described as follows:

Perspective	Description
Leadership and Financial	This perspective highlights CIC's value in leading Saskatchewan's Crown sector, through its articulation of a business vision and strategy for the sector. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.
Public Purpose	This perspective highlights those initiatives undertaken by CIC to support the government's public purpose objectives for the Crown sector, such as low utility cost, youth employment and a green and prosperous economy.
Customers and Stakeholders	This perspective challenges CIC to maintain excellent relationships with its stakeholders, particularly with CIC's Board of Directors, and to understand and assess emerging issues by providing professional and timely advice and guidance.
Innovation and Growth	This perspective focuses on developing internal employee and organizational strengths (including creativity, application of skills and expertise, and continuous improvement), information technology and decision-making capabilities.

Did You Know?
SGI, SaskTel and SaskEnergy have partnerships with more than 700 Saskatchewan businesses to deliver insurance, phone, and natural gas service to Saskatchewan people.

Strategic Direction and Performance Reporting

The Crown Sector Strategic Plan

Performance Reporting Using the "Balanced Scorecard"

Perspective	Description

Did You Know?
SGI, SaskTel and SaskEnergy have partnerships with more than 700 Saskatchewan businesses to deliver insurance, phone, and natural gas service to Saskatchewan people.

Aligning CIC's Strategic Goals to the Crown Sector Plan

Balanced Scorecard Perspective	Crown Sector Strategic Goals	CIC's Strategic Goals

CIC's Performance Reporting for 2004

Scorecard Performance Indicators

Indicator Colour	Status

Aligning CIC's Strategic Goals to the Crown Sector Plan

CIC's strategic goals and initiatives are aligned with the shareholder direction set forth in the Crown Sector Strategic Plan, as well as other strategic priorities established by the shareholder.

Balanced Scorecard Perspective	Crown Sector Strategic Goals	CIC's Strategic Goals
Leadership and Financial	Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.	Leadership to subsidiary Crowns.
Customers & Stakeholders	Exceed customer expectations for products and services.	Support and guidance to the stakeholders.
Public Purpose	Contribute to social, economic and environmental public policies.	Advance the government's sector wide priorities, policies and initiatives.
Innovation and Growth	Align human resources processes and practices with emerging sector wide issues that support achievement of individual Crown corporation strategies.	Position the CIC team for corporate and personal success.

CIC's Performance Reporting for 2004

Scorecard Performance Indicators

Indicator Colour	Status
	Exceeds target
	Achieved, or on target
	Below, or slightly off target
	Missed, or did not meet target
	Deferred, or not measured for this period

Leadership and Financial Perspective

Corporate Strategic Objective	Performance Measure	Performance Target	Performance Result	Performance Rating
L-1 Effective governance and performance management of Crown subsidiaries	Subsidiary Balanced Scorecard targets met	> 8.0	6.5	Below
	Governance rating by the Conference Board of Canada	Top 25%	N/A review done on a 2 year cycle	2005 target
L-2 Appropriate return to the General Revenue Fund	Dividends to the General Revenue Fund	$250 M	$268M includes $80M special dividends	Exceeds
	Shareholder cash flow (ROE)	16%	17.6%	Exceeds
L-3 Proactive leadership on Crown sector issues	External index measure	> 6.7	Not conducted in 2004 (index under review).	Not Measured

Significant Accomplishments in 2004

CIC declared $268 million in dividends to the GRF in 2004, including $80 million in special dividends in support of CAIS and Centennial celebration funding. Looking forward, CIC will face challenges to meet GRF dividend targets and address capital needs within the Crown sector.

Public Purpose Perspective

Corporate Strategic Objective	Performance Measure	Performance Target	Performance Result	Performance Rating
P-1 The Crown sector contributes in the delivery of public policy	Annual Utility Bundle Cost	Lowest cost in Canada	Commitment met with Utility Bundle Rebate Program	Achieved
	Youth and career opportunities:			
	Co-op Program	>185 students	170 students	Below
	Gradworks	100 interns	15 hired, 30 posted for 2005	Below
	Summer students	>450 students	289 students	Below
P-2 CIC's workforce reflects the diversity of Saskatchewan	Staff levels in diversity target groups	≥ 27%	28.6%	Achieved
	New hires in diversity target groups	≥ 25%	22.2%	Below
P-3 Environmental protection and advancement of the Green Agenda	Computer and office equipment meet Energy Star standards	> 80%	100%	Exceeds
	Support the Green Power program	Purchase 10,000 kw per month	10,000 kw per month	Achieved

Significant Accomplishments in 2004

CIC monitored the basic utility costs in other jurisdictions during 2004. By November it became apparent that while Saskatchewan costs compared very favourably, the overall bundle cost for Manitoba would be lower unless action was taken. CIC recommended each Saskatchewan household receive a rebate of $137 to position the Saskatchewan 2004 bundle as the lowest in Canada. This rebate was applied through the residential billing system through SaskTel. Rebates were applied to residential energy and power accounts if the household did not have a basic residential telephone service. CIC continues to monitor the utility costs and will make recommendations on the 2005 bundle status as required.

Customer and Stakeholder Perspective

Corporate Strategic Objective	Performance Measure	Performance Target	Performance Result	Performance Rating
C-1 Accountability and public reporting of the Crown sector	On time preparation: Annual Report Public Quarterly Reports	 90 days 60 days	 On time On time	 ● Achieved ● Achieved
	Summary Annual Report	To all homes	Complete - mailed 1st week of June	● Achieved
	Conference Board review of CIC's reporting and disclosure	B+	N/A review done on a 2 year cycle	● Not Measured
C-2 Development guidance and support to CIC Board, Crown Boards and Crown Executives	External performance index: CIC Board Crown Boards Crown Executives	 >7.6 >8.0 >6.5	Not conducted in 2004 (index under review).	● Not Measured
C-3 Clearly articulate shareholder direction to the Crown sector	External performance index: CIC Board Crown Executives	 >7.0 >6.5	Not conducted in 2004 (index under review).	● Not Measured
C-4 Capital Pension & Benefits - highly competitive benefits and pension programs.	Client base: Retention New clients	 >100% 2 clients	 100% 4 clients	 ● Achieved ● Exceeds
	Rolling 4 year return on contributory funds	Outperform fund benchmark	Achieved	● Achieved

Significant Accomplishments in 2004

2004 marked the first year for Annual Summary Reporting and Quarterly Public Reporting for all subsidiary Crowns, in keeping with best practices and our goal of accountability, transparency and improved public reporting.

Shareholder direction included new priorities on achieving the lowest cost Utility Bundle and youth and aboriginal initiatives. Shareholder emphasis continued to focus on return to shareholder, quality of service, workforce revitalization, and the Green agenda. The annual Crown sector executive conference was held in September. The purpose of the conference, "Connected to Vision", was to revisit the Crown Sector Strategic Plan and affirm that our sector initiatives and priorities were still connected to the overall vision.

A number of external performance indexes were not measured in 2004 as they are currently under review.

Innovation and Growth Perspective

Corporate Strategic Objective	Performance Measure	Performance Target	Performance Result	Performance Rating
I-1 Commitment to "Leading Practices" in organizational and employee development	Employee Satisfaction Survey	>77%	Survey on 2 year cycle	● 2005 target
	Training - % payroll	3.1%	1.8%	○ Below
I-2 Aboriginal and Youth - Skills enhancement and opportunities	Youth term employment	4 students	4 students	● Achieved
	Youth represented in CIC workforce	New for 2004	5.4%	● Achieved
	$2,500 bursary to Aboriginal students	1- U of R 1- U of S	Awarded Expired	● Achieved NA
	Aboriginal secondment	1 person	1 person	● Achieved
I-3 Corporate Wellness Program	Average sick days/year	<4days	3.8 days	● Achieved
	Employee voluntary participation	No target	75 %	N/A
I-4 Our people supporting our communities	Volunteer hours/year	No target	149 hours	N/A
	Adopt-a-family Program	No target	5 families / 20 children	N/A

Significant Accomplishments in 2004

CIC received new strategic direction with respect to our shareholder's priorities and expectations. Based on this direction, CIC developed an organization structure that was aligned and focused to meet those expectations. This resulted in the creation of two new divisions: Economic Initiatives Division and the Labour and Aboriginal Initiatives Division.

Performance Targets for 2005

Each year the CIC Board approves the corporation's Performance Management Plan. This plan outlines the Balanced Scorecard performance targets for the ensuing year as well as detailed initiatives, programs and actions to assist the corporation in achieving those targets.

Leadership and Financial Perspective

Corporate Strategic Objective	Performance Measure	Performance Result 2004	Performance Target 2005
L-1 Effective governance and performance management of Crown subsidiaries	Governance rating by the Conference Board of Canada	Not conducted in 2004	Top 25%
L-2 Appropriate return to the General Revenue Fund	Dividends to the General Revenue Fund	$268M	$225M (less utility bundle rebate costs).
	Shareholder cash flow (ROE)	17.6%	14%
L-3 Proactive leadership on Crown sector issues	External index measure	Not conducted in 2004	Benchmarks under review

Key Initiatives for 2005

- CIC will lead the mandate and governance reviews of several utilities in 2005.
- The Conference Board of Canada will be engaged to conduct a governance review and determine CIC's position in terms of leading best practices.

Customers and Stakeholders Perspective

Corporate Strategic Objective	Performance Measure	Performance Result 2004	Performance Target 2005
C-1 Accountability and public reporting of the Crown sector	Preparation of Annual Report and Public Quarterly Reporting	On time	90 Days - Annual 60 Days - Quarterly
	Summary Annual Report to all homes	Distributed in June 2004	June 2005
	Conference Board review of CIC's annual reporting and disclosure	N/A review done on a 2 year cycle	B+
C-2 Development, guidance and support to CIC Board, Crown Boards and Crown Executives	External performance index: CIC Board Crown Boards Crown Executives	Not conducted in 2004	Benchmarks under review
C-3 Clearly articulate shareholder direction to the Crown sector	External performance index: CIC Board Crown Executives	Not conducted in 2004	Benchmarks under review
C-4 Capital Pension & Benefits - highly competitive benefit and pension programs	Client base retention	100%	95%
	Rolling 4 year return on contributory funds	Achieved benchmark	Achieve or exceed benchmark

Key Initiatives for 2005

- CIC will undertake further review and policy development in such areas as Auditor Independence Policies, Reporting and Disclosure Policies and Governance Policy on Crown held subsidiaries.
- In collaboration with the Crown sector, CIC will refresh the Crown sector strategic direction for the medium term outlook.

Public Purpose Perspective

Corporate Strategic Objective	Performance Measure	Performance Result 2004	Performance Target 2005
P-1 Make Saskatchewan the most affordable place in Canada	Annual Utility Bundle Cost	Lowest in Canada	Lowest in Canada
P-2 Youth and aboriginal opportunities	Co-op Program	170 students	> 185 students
	Gradworks Program	15 interns	85 interns
	Centennial Program	289 students	> 450 students
	Aboriginal Bursary Program	34 bursaries	59 bursaries
	Math & Science Program	New for 2005	50 students
P-3 Support a Green and Prosperous Economy	Strategic investments in support of public policy	New for 2005	Establish Entrepreneurial Foundation

Key Initiatives for 2005

- In the context of a Green and Prosperous economy for Saskatchewan, CIC along with its subsidiary Crown corporations will evaluate and develop short and long term strategies regarding alternative energy sources.
- Establish an Entrepreneurial Foundation early in 2005 and create an Entrepreneurial Venture Capital Fund. Further development of Human Resource Infrastructure Investments including programs with the University of Saskatchewan, University of Regina, and SIAST.
- Continuing to monitor basic utility bundle costs in other jurisdictions to manage Saskatchewans position as lowest.

Innovation and Growth Perspective

Corporate Strategic Objective		Performance Measure	Performance Result 2004	Performance Target 2005
I-1	CIC has a well trained, healthy, productive and collaborative workforce	Employee Satisfaction Survey	N/A conducted on a 2 year cycle	> 77%
		Training as % of payroll	1.8%	> 3%
		Average sick days/year	3.8 days	< 4 days
		Effective technology deployment, functionality and security	New for 2005	Benchmark to be established
I-2	Youth and aboriginal opportunities	Co-op Program	4 students	4 students
		Gradworks	4 interns	6 interns
I-3	CIC promotes a diverse workforce	Women (Exec) Women (Mgt 2) Women (Mgt1) Persons w/disabilities Visible minorities Aboriginal Youth	Expanded reporting categories for 2005	50% 41% 69% 6.8% 3.0% 7.6% 4.0%
		Ratio of hires in diversity groups	1:4.5	1:3
I-4	Support a Green Environment	Computer and office equipment meet Energy Star standards	100%	> 80%
		Purchase of Green Power	10,000 kw per month	10,000 kw per month
I-5	Our people supporting our communities	Employees participating in volunteer activities (%)	149 volunteer hours	No target - reported annually

Key Initiatives for 2005

- Completion of the organizational restructure, including the staffing and resourcing of two new divisions, the Labour and Aboriginal Initiatives Division and the Economic Initiatives Division.

Management's Discussion and Analysis

CIC is the provincial government's holding company for its commercial Crown corporations. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations. CIC also holds the Province's investment in NewGrade.

The purpose of the following discussion is to provide users of CIC's financial statements, with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2004 financial results should be read in conjunction with the audited consolidated and non-consolidated financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the commercial Crown sector; and CIC's non-consolidated financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

What are the financial results for the CIC Crown sector as a whole?

These statements show CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, Investment Saskatchewan Inc., STC, SaskWater, SOCO, SGGF MC, and SDFC);
- CIC's share of NewGrade financial results;
- Dividends paid by CIC to the GRF; and
- CIC's operating costs, public policy expenditures and interest income on cash balances.

CIC Non-Consolidated Financial Statements

How is CIC performing as a holding company?
How do Crown dividends compare to CIC's dividend to the General Revenue Fund?

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's General Revenue Fund (GRF). The Non-Consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations, and public policy expenditures. These financial statements include:

- Dividends of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI and Investment Saskatchewan Inc.);
- Dividends received from NewGrade;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating costs and interest income on cash balances.

CIC'S 2004 Financial Highlights

	$ Millions 2004	2003	% Change
Consolidated			
Consolidated earnings			
Total consolidated assets			
Consolidated debt			
Dividend to GRF			
Non-Consolidated			
Non-consolidated earnings			
Dividend to GRF			
Dividend to the GRF			
Ratios			
Consolidated return on equity			
Non-consolidated return on equity			

2004 Results

Consolidated earnings decreased from 2003 levels. Moderate growth in assets, while maintaining overall debt. Increase in dividends paid to the General Revenue Fund.

CIC made public policy expenditures in 2004 ($52.0 million) related to the lowest - cost utility bundle commitment. In 2004, CIC declared a dividend of $268 million to the General Revenue Fund, providing a non-consolidated cash return on equity to the shareholder of 17.6%.

	2004 Budget	$ Millions 2004 Earnings	Regular Dividend	Dividend (% of Earnings)	$ Millions Special Dividend

CIC'S 2004 Financial Highlights

	$ Millions 2004	2003	% Change
Consolidated			
Consolidated earnings	$ 312.1	$ 345.4	(9.6%)
Total consolidated assets	8,139.7	7,874.5	3.4%
Consolidated debt	3,361.1	3,358.4	0.1%
Dividend to GRF	268.0	200.0	34.0%
Non-Consolidated			
Non-consolidated earnings	$ 275.0	$ 274.3	0.3%
Dividend revenue	347.6	293.2	18.6%
Dividend to the GRF	268.0	200.0	34.0%
Ratios			
Consolidated return on equity	9.6%	11.0%	
Non-consolidated cash return on equity	17.6%	13.5%	

2004 Results

CONSOLIDATED

Consolidated earnings decreased from 2003 levels. Moderate growth in assets, while maintaining overall debt. Increase in dividends paid to the General Revenue Fund.

NON-CONSOLIDATED

CIC made public policy expenditures in 2004 ($52.0 million) related to the lowest - cost utility bundle commitment. In 2004, CIC declared a dividend of $268 million to the General Revenue Fund, providing a non-consolidated cash return on equity to the shareholder of 17.6%.

	2004 Budget	$ Millions 2004 Earnings	Regular Dividend	Dividend (% of Earnings)	$ Millions Special Dividend
SaskPower	$ 112.0	$ 66.3	$ 59.8	90%	$ -
SaskTel	41.0	94.5	85.0	90%	3.0
SaskEnergy	101.9	108.7	70.0	65%	-
SGI	24.1	41.7	27.1	65%	-
Investment Saskatchewan	31.4	19.3	17.3	90%	25.0
Information Services Corporation	1.5	8.3			
SaskWater	(1.4)	(1.5)			
STC	(0.8)	(0.1)			
SOCO	1.7	6.1			
CIC (non-consolidated)	(5.8)	(32.4)			
Other	0.9	1.2			
Totals	$ 306.5	$ 312.1	$ 259.2		$ 28.0

1. SaskPower's 2004 amount reflects a significant change in planning assumptions subsequent to preparation of SaskPower's 2004 business plan.
2. CIC's earnings reflect the elimination of all inter-entity transactions including dividend revenue from subsidiary Crown corporations.

Achieving Corporate Priorities in 2004

Shareholder Return

- CIC is working to implement important public policy initiatives, such as the lowest - cost utility bundle program, while maintaining a reasonable return to the shareholder.
- In 2004, CIC declared a dividend of $268 million to the General Revenue Fund, reflecting:
  - a consolidated return on equity of 9.6%;
  - a non-consolidated cash return on equity to the shareholder of 17.6%.

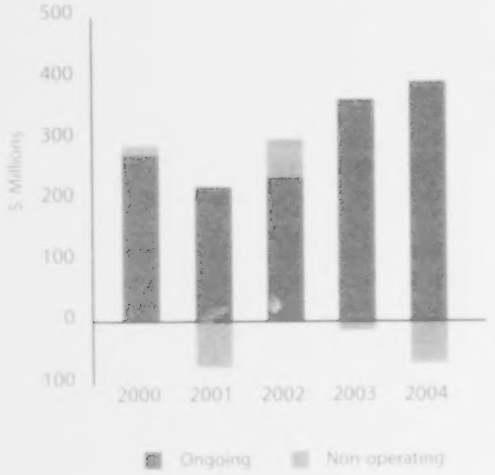
Financial Sustainability

- CIC works to ensure both its financial performance as well as its financial sustainability by ensuring it has sufficient cash resources over the planning horizon to pay dividends to the GRF.
- CIC funds new initiatives based on the principle of sustainable financial self-sufficiency.

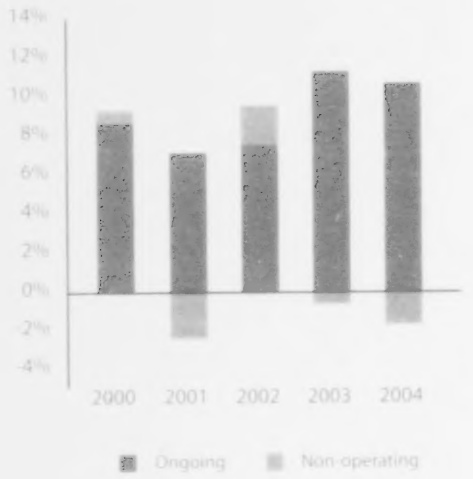
Enhancing Accountability

- CIC is increasing its transparency and accountability. During 2004, many fundamental disclosure changes were made including the introduction of public quarterly reporting in the Crown sector and disclosure of budget information in the Government of Saskatchewan's summary budget.
- CIC continuously evaluates new standards for financial reporting and corporate governance. The magnitude of changes and our work towards meeting these challenges has been extensive.

Consolidated Earnings for the period



Consolidated Return on Equity for the period



As a result of strong earnings, CIC paid a dividend to the GRF of $268 million, compared to its dividend target of $250 million. The original target was adjusted to $188 million to reflect public policy expenditures (initially estimated at $54 million) and additional grant funding to a subsidiary corporation ($8 million). Strong financial performance of the Crown sector in 2004 enabled special dividends of $80 million: $5 million in support of Saskatchewan's Centennial celebrations, and $75 million for the Canadian Agricultural Income Stabilization program.

Managing Capital Resources in the Crown Sector

A key priority for CIC is to manage the capital resources within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the GRF. CIC manages this priority through its capital allocation framework that is developed from two integrated policies. The policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy; and
- **Debt** reduction to support the financial flexibility of CIC's businesses.

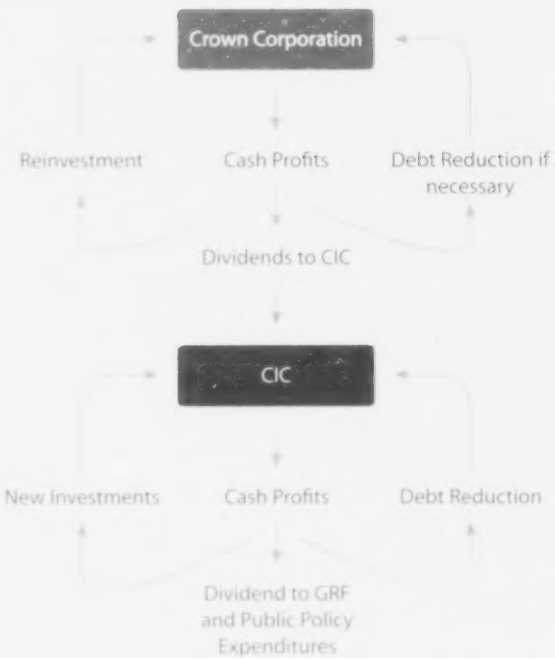
The first policy, the Subsidiary Dividend Policy, focuses on managing capital resources to support the investment needs and business viability of the various business segments. The second policy, CIC Dividend Policy, ensures that the investments into businesses provide a return to the government of Saskatchewan to support programs paid for from the GRF.

Subsidiary Dividend Policy

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to a business' target capital structure compared to actual capital structure.

CIC Dividend Policy

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, debt reduction, and dividends to the GRF. CIC, as a holding company, does not have any debt. Therefore, cash is used to pay dividends to the GRF. As well, CIC uses funds to support public policy initiatives, such as providing Saskatchewan households with the lowest cost utility bundle.



CIC's ability to pay regular dividends to the GRF mainly depends on the level of Crown dividends to CIC less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed income since its inception). CIC's earnings and, hence, dividend capacity outlook are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

Capital Structures of Commercial Crown Corporations

The following table summarizes the long-term target capital structure of CIC's commercial Crown corporations and the dividend payout rate in relation to actual capital structure.

	Capital Structure Measure	Capital Structure Target	2001 Actual Capital Structure	Dividend Payout Rate
SaskPower	Debt Ratio	60%	58%	90%
SaskTel[1]	Debt Ratio	45%	36%	90%
SaskEnergy	Debt Ratio	65%	68%	65%
SGI[2]	Net Risk Ratio	2.0	2.7	65%
Investment Saskatchewan[3]	Self-supporting Debt Level	$15 Million	$15 Million	90%

1. SaskTel also paid a special dividend of $3 million to CIC in support of Saskatchewan Centennial celebrations.
2. An indicator of financial flexibility used in the insurance industry.
3. Investment Saskatchewan also paid a $25 million special dividend in support of CAIS funding by the GRF; this dividend was funded from a significant loan repayment in the year.

Liquidity

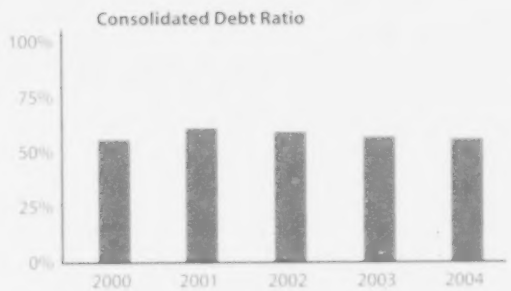
CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings	
Moody's Investor Service	Aa3
Standard & Poor's	AA-
Dominion Bond Rating Service	A

Over the past three years, the Province has had its credit rating upgraded. CIC has been a contributing factor to the Province's improved financial health.

> *"Over the past several years, the Province has markedly reduced its stock of debt and related debt service costs. Much of the progress stems from CIC, the provincial Crown holding company, improving its performance by rationalizing and restructuring operations and investments."*
>
> *Moody's Investors Service, August 2002*

As CIC has strengthened its financial position, higher dividends to the GRF have been possible. CIC has been able to increase its regular GRF dividend over time from $50 million in 1997 to $188 million in 2004 (2004 dividend adjusted for public policy expenditures). In addition, cash from asset sales has enabled special dividends of $180.0 million and equity repayments of $266.3 million since 1998.



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	Capital Structure Measure	Capital Structure Target	2004 Actual Capital Structure	Dividend Payout Rate
SaskPower	Debt Ratio	60%	58%	90%
SaskTel	Debt Ratio	45%	39%	100%
SaskEnergy	Debt Ratio	65%	68%	65%
	Net Debt Ratio	2.0	2.1	65%
Investment Saskatchewan	Self-supporting Debt Level	$15 Million	$15 Million	100%

Liquidity

CIC and its subsidiary Crown corporations have historically had the ability to raise low-cost borrowings in capital markets. With strong credit ratings, the GRF has ample access to capital to meet projected borrowing requirements.

Province of Saskatchewan Credit Ratings	
Moody's Investor Service	Aa3
Standard & Poor's	AA-
Dominion Bond Rating Service	A

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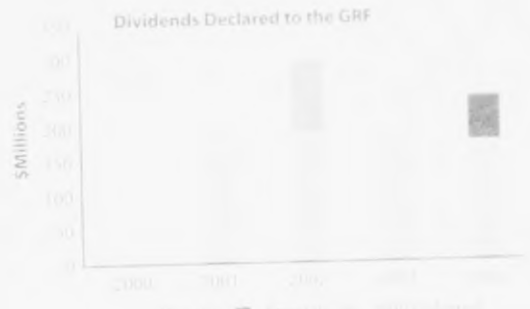
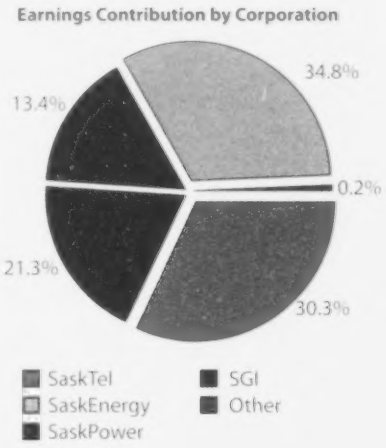


CIC Consolidated: Analysis of Financial Results

The following analysis of CIC's consolidated 2004 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

Earnings

Earnings for the year were $312.1 million (2003 - $345.4 million restated). Excluding non-recurring income of $8.0 million (2003 - losses of $15.8 million), income tax expense of $26.2 million (2003 - $0.5 million recovery), and public policy expenditures of $52.0 million (2003 - $Nil) earnings from ongoing operations were $382.3 million (2003 - $360.7 million restated).



Revenues

Revenues were $4,082.6 million (2003 - $3,909.3 million restated), an increase of $173.3 million. The increase was due to a $117.8 million increase in operating revenues, an increase in investment income of $64.4 million offset by a decrease in other revenue of $8.9 million.

Operating revenues were $3,975.0 million (2003 - $3,857.2 million restated). The $117.8 million increase was mainly due to higher utility sales, increased insurance premiums, an increase in world oil prices increasing revenue at NewGrade Energy Inc. (NewGrade) and general increases in sales from other commodity based investments. Utility sales were $2,954.8 million (2003 - $2,887.0 million restated), an increase of $67.8 million, primarily due to higher sales by SaskPower ($13.6 million), SaskTel ($33.7 million) and SaskEnergy ($12.3 million). SGI's operating revenue increased by $25.4 million due to growth in Saskatchewan premiums. The corporation's share of the operating revenue from NewGrade increased by $12.0 million which reflects higher prices for NewGrade's reconstituted crude oil product. The corporation also recorded revenue increases in other commodity based investments totalling $8.9 million.

Crown Corporations Earnings Comparison	$ Millions 2004	2003
SaskPower	$ **66.3**	$ 187.2
SaskTel	**94.5**	83.0
SaskEnergy	**108.7**	41.0
SGI	**41.7**	21.2
Investment Saskatchewan	**19.3**	7.5
ISC	**8.3**	(5.8)
SaskWater	**(1.5)**	(2.3)
STC	**(0.1)**	(2.1)
SOCO	**6.1**	(0.2)
CIC (non-consolidated) and Adjustments	**(32.4)**	13.5
Other	**1.2**	2.4
Total	$ **312.1**	$ 345.4

Investment revenues were $103.5 million (2003 - $39.1 million). The $64.4 million increase reflects improved performance of its equity accounted investments including Saskferco Products Inc., ML OSB Limited Partnership, and Big Sky Farms Inc. The corporation also experienced better results from SGI's investment portfolio due to higher realized gains on sale of investments.

Expenses

Expenses were $3,700.3 million (2003 - $3,548.6 million restated), an increase of $151.7 million. The primary factors for the increase were higher fuel and purchased power costs for SaskPower ($13.0 million), an increase in operating costs at SaskTel ($46.9 million) reflecting higher expenses for growth initiatives, and increases in costs for Investment Saskatchewan's commodity based investments ($52.4 million). These increases were offset by decreases at SaskEnergy ($50.5 million) due to lower average cost of gas and NewGrade ($25.5 million) due to lower cost for feedstock. Interest costs were $252.9 million (2003 - $122.4 million) an increase of $130.5 million. In 2003, foreign currency exchange gains of $150.0 million were recorded due to a strong appreciation in the Canadian currency against the U.S. dollar. In 2004, the corporation recorded foreign currency exchange gains on U.S. dollar denominated debt of $6.5 million. Amortization costs of $410.0 million decreased by $14.5 million, reflecting a small decrease in capital asset purchases.

Public Policy Expenditures

In 2003, the government committed that Saskatchewan families would receive the package of basic utilities including home electricity, home natural gas, basic telephone and auto insurance rates at a total annual cost that is lower than the same package in any other province in Canada. During 2004, the corporation expended $52.0 million in meeting that commitment.

Capital Spending

CIC spent $1,033.7 million (2003 - $997.5 million) on new investment and capital acquisitions. The $36.2 million increase reflects a $45.4 million increase in investment activity, mainly due to SGI turning over its investment portfolio, offset by a decrease in capital spending of $9.2 million.

Consolidated Debt

Debt at December 31, 2004 of $3,361.1 million (2003 - $3,358.4 million), increased $2.7 million. Increases in debt at SaskPower ($239.7 million) and SaskWater ($2.8 million) were offset by decreases in debt at SOCO ($151.2 million), SaskTel ($39.2 million), SaskEnergy ($18.4 million), NewGrade ($15.0 million), ISC ($11.9 million), Investment Saskatchewan ($4.0 million), and SDFC ($0.1 million).

Operating, Investing and Financing Activities

Cash from operations was $342.8 million (2003 - $774.0 million restated). The $431.2 million decrease was primarily due to changes in non-cash items from operations. During the year, current assets increased mainly due to increased short-term investments held by Investment Saskatchewan due to collection of HARO debentures, and SaskPower due to debt placements.

Cash Flow Highlights	$ Millions 2004	2003
Cash from Operations	**$ 342.8**	$ 774.0
Cash used in investing activities	**(391.9)**	(510.8)
Dividends paid	**(205.0)**	(300.0)
Debt proceeds received	**452.6**	257.1
Debt repaid	**(237.0)**	(203.7)
Other financing activities	**29.4**	(20.1)
Decrease in cash	**$ (9.1)**	$ (3.5)

Cash used in investing activities was $391.9 million (2003 - $510.8 million). The $118.9 million decrease reflects significant asset sales including the collection of HARO debentures.

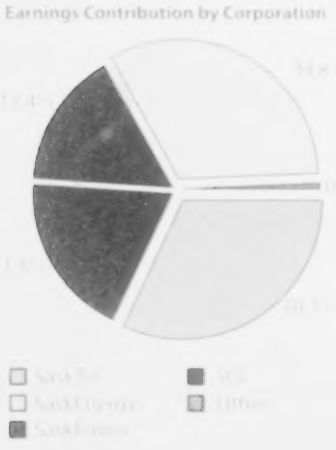
Cash provided by financing activities was $40.0 million (2003 cash used in financing activities - $266.7 million). The $306.7 million increase reflects higher proceeds from debt placements net of repayments ($162.2 million) and lower payments to the GRF ($95.0 million), and decreased use of cash for other financing activities ($49.5 million).

CIC Consolidated: Analysis of Financial Results

The following analysis of CIC's consolidated 2004 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

Earnings

Earnings for the year were $312.1 million (2003 - $345.4 million restated). Excluding non-recurring income of $8.0 million (2003 - losses of $15.8 million), income tax expense of $26.2 million (2003 - $0.5 million recovery), and public policy expenditures of $52.0 million (2003 - $Nil) earnings from ongoing operations were $382.3 million (2003 - $360.7 million restated).



Revenues

Revenues were $4,082.6 million (2003 - $3,909.3 million restated), an increase of $173.3 million. The increase was due to a $117.8 million increase in operating revenues, an increase in investment income of $64.4 million offset by a decrease in other revenue of $8.9 million.

Operating revenues were $3,975.0 million (2003 - $3,857.2 million restated). The $117.8 million increase was mainly due to higher utility sales, increased insurance premiums, an increase in world oil prices increasing revenue at NewGrade Energy Inc. (NewGrade) and general increases in sales from other commodity based investments. Utility sales were $2,954.8 million (2003 - $2,867.0 million restated), an increase of $67.8 million, primarily due to higher sales by SaskPower ($13.6 million), SaskTel ($33.7 million) and SaskEnergy ($12.3 million). SGI's operating revenue increased by $25.4 million due to growth in Saskatchewan premiums. The corporation's share of the operating revenue from NewGrade increased by $12.0 million which reflects higher prices for NewGrade's reconstituted crude oil product. The corporation also recorded revenue increases in other commodity based investments totalling $8.9 million.

Crown Corporations Earnings Comparison	$ Millions 2004	2003
SaskPower	$ 66.3	$ 187.2
SaskTel	94.5	85.0
SaskEnergy	108.7	41.0
SGI	41.7	21.2
Investment Saskatchewan	19.3	7.5
ISC	8.3	(6.8)
SaskWater	(1.5)	(2.3)
STC	(0.1)	(2.1)
SOCO	6.1	(8.2)
CIC (non-consolidated) and Adjustments	(32.4)	13.5
Other	1.2	2.4
Total	$ 312.1	$ 345.4

Investment revenues were $103.5 million (2003 - $39.1 million). The $64.4 million increase reflects improved performance of its equity accounted investments including Saskferco Products Inc., ML OSB Limited Partnership and Big Sky Farms Inc. The corporation also experienced better results from SGI's investment portfolio due to higher realized gains on sale of investments.

Expenses

Expenses were $3,780.3 million (2003 – $3,638.6 million restated), an increase of $131.7 million. The primary factors for the increase were higher fuel and purchased power costs for SaskPower ($13.0 million), an increase in operating costs at SaskTel ($46.9 million) reflecting higher expenses for growth initiatives and increases in costs for Investment Saskatchewan's commodity based investments ($52.4 million). These increases were offset by decreases at SaskEnergy ($30.5 million) due to lower average cost of gas, and NewGrade ($25.5 million) due to lower cost for feedstock. Interest costs were $252.9 million (2003 – $122.4 million), an increase of $130.5 million. In 2003, foreign currency exchange gains of $150.0 million were recorded due to a strong appreciation in the Canadian currency against the U.S. dollar. In 2004, the corporation recorded foreign currency exchange gains on U.S. dollar denominated debt of $6.5 million. Amortization costs of $410.0 million decreased by $14.5 million, reflecting a small decrease in capital asset purchases.

Public Policy Expenditures

In 2003, the government committed that Saskatchewan families would receive the package of basic utilities, including home electricity, home natural gas, basic telephone and auto insurance rates at a total annual cost that is lower than the same package in any other province in Canada. During 2004, the corporation expended $57.0 million in meeting that commitment.

Capital Spending

CIC spent $1,033.2 million (2003 – $997.5 million) on new investment and capital acquisitions. The $36.2 million increase reflects a $45.4 million increase in investment activity, mainly due to SGI turning over its investment portfolio, offset by a decrease in capital spending of $9.2 million.

Consolidated Debt

Debt at December 31, 2004 of $3,361.1 million (2003 – $3,458.4 million) increased $2.7 million. Increases in debt at SaskPower ($238.7 million) and SaskWater ($2.8 million) were offset by decreases in debt at SOCO ($151.2 million), SaskTel ($39.2 million), SaskEnergy ($16.4 million), NewGrade ($15.0 million), ISC ($11.9 million), Investment Saskatchewan ($4.0 million) and SOFC ($0.3 million).

Operating, Investing and Financing Activities

Cash from operations was $342.8 million (2003 – $774.0 million restated). The $431.2 million decrease was primarily due to changes in non-cash items from operations. During the year current assets increased mainly due to increased short-term investments held by Investment Saskatchewan due to collection of HARO debentures, and SaskPower due to debt placements.

Cash Flow Highlights	$ Millions 2004	2003
Cash from Operations	$ 342.8	$ 774.0
Cash used in investing activities	(391.9)	(510.8)
Dividends paid	(205.0)	(380.0)
Debt proceeds received	452.6	257.1
Debt repaid	(237.0)	(203.7)
Other financing activities	29.4	(20.1)
Decrease in cash	$ (9.1)	$ (83.5)

Cash used in investing activities was $391.9 million (2003 – $510.8 million). The $118.9 million decrease reflects significant asset sales including the collection of HARO debentures.

Cash provided by financing activities was $40.0 million (2003 cash used in financing activities – $260.2 million). The $300.2 million increase reflects higher proceeds from debt placements net of repayments ($162.2 million) and lower payments to the GRF ($95.0 million), and decreased use of cash for other financing activities ($49.5 million).

CIC Non-Consolidated: Analysis of Financial Results

CIC's non-consolidated financial statements are used by CIC to determine dividend paying capacity to the General Revenue Fund (GRF). These non-consolidated financial statements isolate the corporation's cash flow, capital support for certain subsidiary Crown corporations and public policy expenditures. Inclusion of these financial statements in CIC's Annual Report enhances public transparency and accountability of its operations.

This narrative on CIC's non-consolidated 2004 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

Earnings

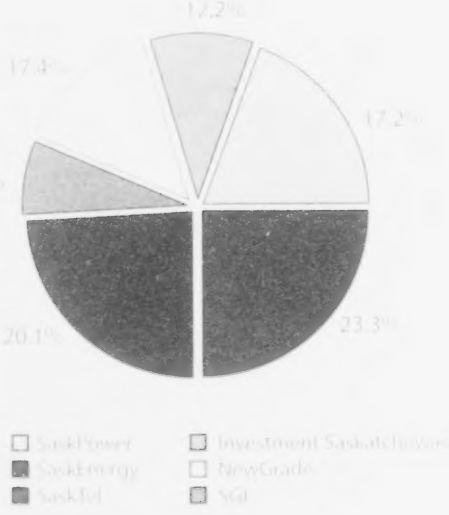
Earnings for 2004 were $275.0 million (2003 - $274.3 million). The $0.7 million increase was due to an increase in dividends from CIC's subsidiary Crown corporations of $1.7 million, an increase in dividends from NewGrade of $52.7 million and a decrease in operating costs of $6.7 million. These improvements were offset by increases in grants paid to subsidiaries of $10.2 million and costs attributed to the rebate of $52.0 million.

CIC Non-Consolidated Earnings Comparison		2004	$ Millions	2003
Dividend Revenue from Crown Corporations	$	287.2	$	285.5
Add: dividend from NewGrade		60.4		7.7
Add: interest and other revenue		3.2		4.0
Less: general, administrative, interest and other expenses		(8.8)		(18.0)
amortization		(0.2)		(0.3)
public policy expenditure		(52.0)		
grants to subsidiaries		(14.8)		(4.6)
Total Non-Consolidated Earnings	$	275.0	$	274.3

Dividend Revenue

CIC corporate revenue is dependant on dividends from subsidiary Crown corporations and CIC's interest in NewGrade. During 2004, dividends from these corporations totaled $347.6 million (2003 - $293.2 million) an increase of $54.4 million. The reasons for the increase are:

- SaskEnergy's 2004 dividend was $70.0 million (2003 - $26.7 million), an increase of $43.3 million. The increase is primarily due to higher earnings related to higher natural gas transportation volumes, and increased revenue from natural gas marketing activities.
- NewGrade's 2004 dividend was $60.4 million (2003 - $7.7 million), an increase of $52.7 million. The increase is due to record level cash flows from NewGrade's operations as world markets for light oil increased more rapidly than heavy oil feedstock used by NewGrade.



CIC Non-Consolidated: Analysis of Financial Results

CIC's non-consolidated financial statements are used by CIC to determine dividend paying capacity to the General Revenue Fund (GRF). These non-consolidated financial statements isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. Inclusion of these financial statements in CIC's Annual Report enhances public transparency and accountability of its operations.

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Earnings

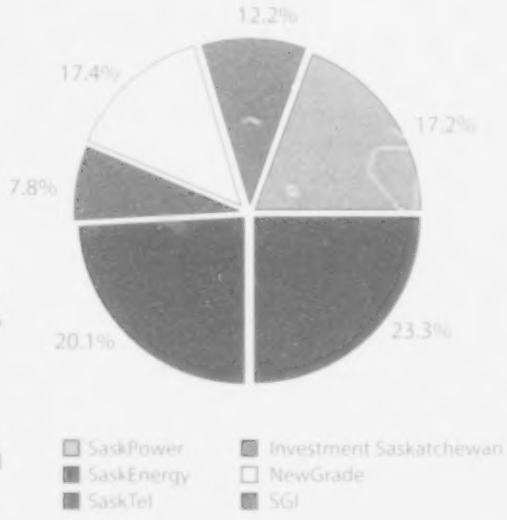
Earnings for 2004 were $275.0 million (2003 - $274.3 million). The $0.7 million increase was due to an increase in dividends from CIC's subsidiary Crown corporations of $1.7 million, an increase in dividends from NewGrade of $52.7 million and a decrease in operating costs of $6.7 million. These improvements were offset by increases in grants paid to subsidiaries of $10.2 million and costs attributed to the rebate of $52.0 million.

CIC Non-Consolidated Earnings Comparison		$ Millions 2004	2003
Dividend Revenue from Crown Corporations		$ 287.2	$ 285.5
Add:	dividend from NewGrade	60.4	7.7
Add:	interest and other revenue	3.2	4.0
Less:	general, administrative, interest and other expenses	(8.8)	(18.0)
	amortization	(0.2)	(0.3)
	public policy expenditure	(52.0)	-
	grants to subsidiaries	(14.8)	(4.6)
Total Non-Consolidated Earnings		$ 275.0	$ 274.3

Dividend Revenue

CIC corporate revenue is dependant on dividends from subsidiary Crown corporations and CIC's interest in NewGrade. During 2004, dividends from these corporations totaled $347.6 million (2003 - $293.2 million) an increase of $54.4 million. The reasons for the increase, are:

- SaskEnergy's 2004 dividend was $70.0 million (2003 - $26.7 million), an increase of $43.3 million. The increase is primarily due to higher earnings related to higher natural gas transportation volumes and increased revenue from natural gas marketing activities.
- NewGrade's 2004 dividend was $60.4 million (2003 - $7.7 million), an increase of $52.7 million. The increase is due to record level cash flows from NewGrade's operations as world markets for light oil increased more rapidly than heavy oil feedstock used by NewGrade.



Dividend Revenue (continued)

- Investment Saskatchewan's dividend was $42.3 million (2003 - $ Nil). During 2004, CIC converted its shareholder loans to Investment Saskatchewan into share capital. With the financial restructuring of Investment Saskatchewan, CIC now applies a dividend policy to Investment Saskatchewan based on cash flow. Investment Saskatchewan's 2004 dividend is based on 90 per cent of net income and a $25.0 million special dividend due to cash received from the collection of a significant portion of the HARO debenture.
- SaskTel's dividend of $88.0 million (2003 - $76.6 million) increased by $11.4 million due mainly to increased earnings from diversified operations including wireless, security and entertainment services.
- SGI's dividend was $27.1 million (2003 - $13.8 million), an increase of $13.3 million in 2004. The increase in dividends is due primarily to substantially improved underwriting results in Saskatchewan and through its subsidiaries outside of Saskatchewan.
- SaskPower's dividend was $59.8 million (2003 - $168.5 million), a decrease of $108.7 million. The decrease in dividends is due primarily to a decrease in net income at SaskPower. During 2003, SaskPower recorded $112.8 million in foreign exchange gains on its U.S. dollar denominated debt due to a rapidly appreciating Canadian dollar versus its U.S. counterpart. In 2004, SaskPower hedged the majority of its U.S. denominated debt to lower its exposure to currency changes. During 2004, SaskPower recorded $3.1 million in foreign exchange gains.

Administrative Expenses

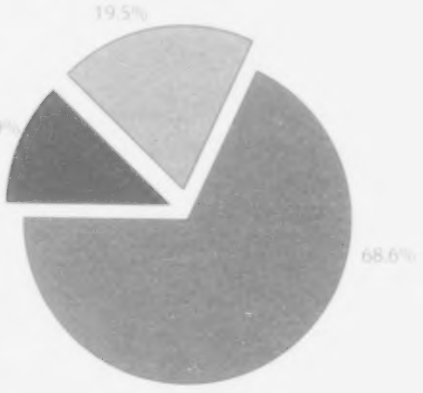
Expenses were $9.0 million (2003 - $18.2 million). The $9.2 million decrease was mainly due to a $6.7 million decrease in operating expenses and a $2.5 million decrease in interest expense. The decrease in operating expenses relates to the reorganization of CIC Industrial Interests Inc. into Investment Saskatchewan Inc.

Prior to October 2003, Investment Saskatchewan costs were absorbed by CIC. These costs are now recorded in the financial statements of Investment Saskatchewan Inc. Also in October 2003, CIC transferred its remaining long-term debt into Investment Saskatchewan Inc. as part of the reorganization of CIC Industrial Interests Inc.

Grants to Subsidiary Crown Corporations

During 2004, CIC provided $5.6 million in grants to STC ($3.7 million for operations; $1.9 million for capital) compared to 2003 grants of $3.5 million ($1.6 million for operations; $1.9 million for capital). Also, CIC provided SaskWater $9.2 million in grants (2003 - $1.1 million); $7.9 million to settle certain lawsuits pertaining to the corporation's investment in the potato industry (2003 - $ Nil) and $1.3 million in operating grants (2003 - $1.1 million).

Expense Categories



Public Policy Expenditures

In 2004, CIC provided the residential customers of the province with the lowest cost for home electricity, home natural gas, basic telephone rates and auto insurance. The total cost of the Utility Bundle rebate program was $52.0 million to December 31.

CIC Non-Consolidated: Analysis of Financial Results (continued)

Operating, Investing and Financing Activities

Cash from operations was $290.4 million (2003 - $157.0 million). The $133.4 million increase was primarily due to increased dividend revenue.

Cash used in investing activities was $0.1 million (2003 - $11.1 million). The primary reason for the $11.0 million change was the reorganization of CIC Industrial Interests Inc. into Investment Saskatchewan Inc.

Cash Flow Highlights	$ Millions 2004	2003 Restated
Cash from operations	$ 290.4	$ 157.0
Cash used in investing activities	(0.1)	(11.1)
Debt repaid to the GRF	–	(9.9)
Debt transferred	–	(15.4)
Dividend paid	(205.0)	(300.0)
Increase (Decrease) in Cash	$ 85.3	$ (179.4)

Cash used in financing activities was $205.0 million (2003 - $325.3 million), all of which was the dividend payment to the GRF. In 2003, CIC repaid $9.9 million in debt due to the GRF (net of sinking fund redemptions), transferred $15.4 million in debt (net of sinking funds) to Investment Saskatchewan Inc. and paid a $300.0 million dividend to the GRF.

During 2003, Cabinet approved the restructuring of CIC's share capital subsidiary, CIC Industrial Interests Inc., and renamed the corporation Investment Saskatchewan Inc. As part of the restructuring, CIC transferred its remaining long-term debt and associated sinking funds to Investment Saskatchewan as partial repayment on non-interest bearing advances from CIC. As a result of the transfer of these investments, CIC no longer holds debt.

Key Factors Affecting Financial Performance

Earnings of Crown Corporations

- The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a subsidiary after allocating cash for reinvestment within the Crown to and for debt reduction, if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2005 to be lower than in 2004.

Earnings of NewGrade

- Dividends from NewGrade are determined by NewGrade's Board of Directors. NewGrade's Board of Directors will consider the project's profitability, agreements between the shareholders, lenders and loan guarantors, and capital requirements of the corporation before declaring the dividend.

Public Policy Costs

- In 2003, the government adopted a policy to ensure that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates, and auto insurance at a total annual cost that is lower than the same package in any other province in Canada. CIC analyzes the costs of this policy and is responsible for providing rebates, if necessary. The cost, if any, of the lowest bundle package for 2005 cannot be determined in advance as it is dependant on future events.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value.

Looking Ahead to 2005

CIC's key financial initiatives for 2005 include:

- Continuing to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.
- Continuing to provide a return to the shareholder.
- Contributing to important public policy initiatives by:
  - providing Saskatchewan families with the lowest cost utility bundle; and
  - funding youth and Aboriginal initiatives such as Gradworks.
- The following table summarizes the earnings of CIC and its subsidiaries according to the business plans of the respective organizations. Dividend payout rates are based on the budgeted earnings and the projected financial position of each subsidiary. Actual dividend payout rates and dividend payments will depend on each Crown's actual earnings for the year and financial position at December 31, 2005.

CIC 2005 Consolidated Earnings Budget	$ Millions Earnings	Dividend	Projected Dividend as a % of earnings
SaskPower[1]	$ 83.0	$ 54.0	65%
SaskTel	94.2	84.8	90%
SaskEnergy	88.3	57.4	65%
SGI	32.0	20.8	65%
Investment Saskatchewan[2]	14.1		
ISC	5.3		
SaskWater	(1.7)		
STC	(0.6)		
SOCO	5.7		
CIC (non-consolidated)[3]	(53.4)		
Other	(2.0)		
Total	**$ 264.9**	**$ 217.0**	

1. SaskPower's 2005 amount reflects a significant change in planning assumptions subsequent to preparation of SaskPower's 2005 business plan related to lower than planned electrical sales for 2005.
2. Investment Saskatchewan's 2005 dividend target has not yet been approved by the CIC Board.
3. CIC's earnings reflect the elimination of all inter-entity transactions, including dividend revenue from subsidiary Crowns.

CIC Non-Consolidated: Analysis of Financial Results (continued)

Operating, Investing and Financing Activities

Cash Flow Highlights	$ Millions 2004	2003
	$ 290.4	
	(9.1)	
	(205.0)	
	$ 85.5	

Key Factors Affecting Financial Performance

Earnings of Crown Corporations

Earnings of NewGrade

Public Policy Costs

Investment Values

Looking Ahead to 2005

CIC 2005 Consolidated Earnings Budget	$ Millions Earnings	Dividend	Projected Dividend as a % of earnings
Total	$ 264.9	$ 217.0	

A Closer View of CIC's Holdings

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries while others are joint ventures and partnerships held either directly by CIC or through its wholly-owned subsidiaries.

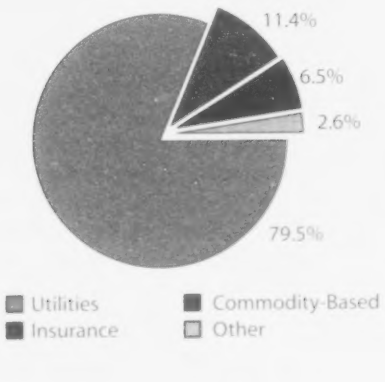
Investment	Major Business Line	Form of investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
[illegible]	[illegible]	[illegible]
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

■ Utilities ■ Insurance ■ Commodity Based Investments ■ Economic Growth ■ Transportation

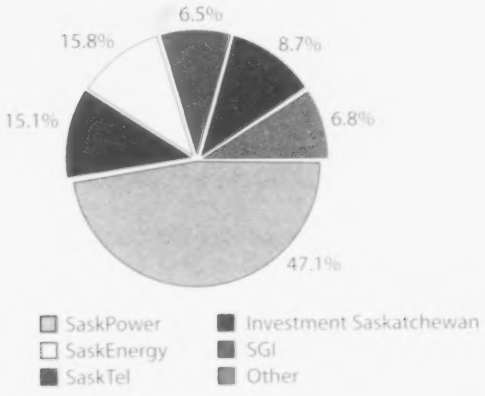
Profiles of each subsidiary Crown corporation and NewGrade, as a major investment, are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

The data on the following page illustrates the importance of the utility business segment to the financial results of CIC. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities and operating income generated. The ability of utilities to achieve their respective financial targets is important to CIC's financial success.

Total Assets by Business Segment



Total Assets by Corporation



Segmented Information

	Utilities		Commodity-Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
Income Statement for the year ended December 31	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Sales and other revenue	2,961	2,890	859	786	294	261	18	16	27	30	(77)	(74)	4,082	3,909
Operating expenses & other	2,459	2,461	765	744	252	239	18	18	18	22	(65)	(57)	3,447	3,427
Debt costs	243	111	8	1	-	-	-	-	2	8	-	2	253	122
Earnings before the following	259	318	86	41	42	22	-	(2)	7	-	(12)	(19)	382	360
Non-recurring items and taxes	17	(15)	16	(6)	(1)	(1)	-	-	-	-	(102)	7	(70)	(15)
Net Earnings	276	303	102	35	41	21	-	(2)	7	-	(114)	(12)	312	345
Balance Sheet as at December 31														
Current assets	792	640	402	162	180	181	3	2	10	8	175	141	1,562	1,134
Investments & other	384	333	421	549	343	296	-	-	3	152	2	25	1,153	1,355
Capital assets	5,297	5,228	101	114	9	10	16	16	6	4	(4)	13	5,425	5,385
	6,473	6,201	924	825	532	487	19	18	19	164	173	179	8,140	7,874
Current liabilities	962	979	152	280	192	181	2	2	10	31	138	(132)	1,456	1,341
Long-term debt	2,941	2,765	76	91	-	-	-	-	-	126	-	-	3,017	2,982
Other	171	116	-	-	234	213	9	8	-	4	(13)	(11)	401	330
	4,074	3,860	228	371	426	394	11	10	10	161	125	(143)	4,874	4,653
Province's equity	2,399	2,341	696	454	106	93	8	8	9	3	48	322	3,266	3,221
	6,473	6,201	924	825	532	487	19	18	19	164	173	179	8,140	7,874
Statement of Cash Flows for the year ended December 31														
Operating activities	554	568	(67)	30	55	42	1	(1)	8	5	(208)	130	343	774
Investing activities														
Capital asset purchases	(480)	(468)	(3)	(9)	(1)	(1)	(2)	(2)	(9)	(18)	16	10	(479)	(488)
Other	15	(3)	147	(24)	(24)	(21)	-	-	1	1	(52)	24	87	(23)
	(465)	(471)	144	(33)	(25)	(22)	(2)	(2)	(8)	(17)	(36)	34	(392)	(511)
Financing activities														
Debt proceeds	454	295	-	25	-	-	-	-	1	10	(3)	(73)	452	257
Debt repayments	(207)	(225)	(18)	(33)	-	-	-	-	-	(1)	59	55	(166)	(204)
Dividends paid to CIC	(274)	(172)	(8)	-	(27)	(8)	-	-	-	-	309	180	-	-
Dividends paid to GRF	-	-	-	-	-	-	-	-	-	-	(205)	(300)	(205)	(300)
Other	(65)	(32)	1	10	-	-	1	2	-	3	22	(2)	(41)	(19)
	(92)	(134)	(25)	2	(27)	(8)	1	2	1	12	182	(140)	40	(266)
Change in Cash	(3)	(37)	52	(1)	3	12	-	(1)	1	-	(62)	24	(9)	(3)

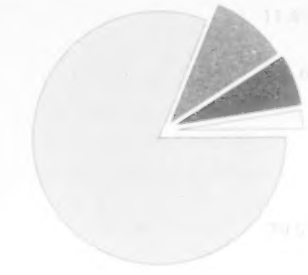
A Closer View of CIC's Holdings

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly owned subsidiaries while others are joint ventures and partnerships held either directly by CIC or through its wholly owned subsidiaries.

Investment	Major Business Line	Form of investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

Utilities Insurance Commodity Based Investments Economic Growth Transportation

Total Assets by Business Segment



Total Assets by Corporation

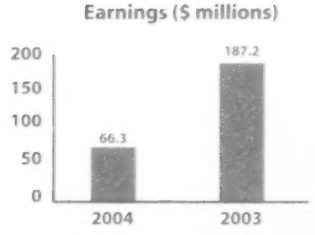
Segmented Information

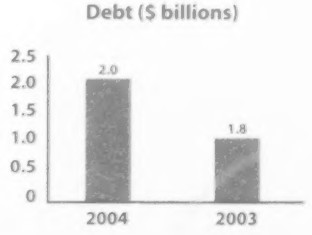
Income Statement for the year ended December 31	Utilities	Commodity-Based	Insurance	Transportation	Economic Growth	Other & Adjustments	Total
Net Earnings	276	102	41	–	7	(114)	312
Balance Sheet as at December 31							
	792	402	180	3	10	175	1,562
	384	421	343	–	3	2	1,153
	5,297	101	9	16	6	(4)	5,425
	6,473	924	532	19	19	173	8,140
	962	152	192	2	10	138	1,456
	2,941	76	–	–	–	–	3,017
	171	–	234	9	–	(13)	401
	4,074	228	426	11	10	125	4,874
	2,399	696	106	8	9	48	3,266
	6,473	924	532	19	19	173	8,140
Statement of Cash Flows for the year ended December 31							
	554	(67)	55	1	8	(208)	343
	(480)	(3)	(1)	(2)	(9)	16	(479)
	15	147	(24)	–	1	(52)	87
	(465)	144	(25)	(2)	(8)	(36)	(392)
	454	–	–	–	1	(3)	452
	(207)	(18)	–	–	–	59	(166)
	(274)	(8)	(27)	–	–	309	–
	–	–	–	–	–	(205)	(205)
	(65)	1	–	1	–	22	(41)
	(92)	(25)	(27)	1	1	182	40
	(3)	52	3	–	1	(62)	(9)

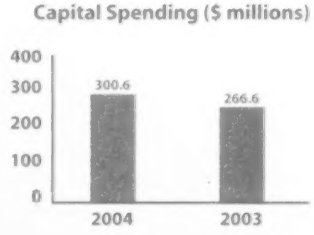
SaskPower

2004 Results

- Earnings were $66.3 million (2003 - $187.2 million).
- Revenue of $1,257.2 million (2003 - $1,243.5 million) increased due to higher Saskatchewan sales primarily as a result of the impact of a 5.65% system-wide average rate increase offset by a decrease in export sales.
- Expenses of $1,194.3 million (2003 - $1,061.8 million) increased due to higher operating costs and finance charges.
- Foreign exchange gains of $3.1 million (2003 - $112.8 million) are attributable to translation gains on U.S. dollar denominated long-term debt. These gains are down significantly from the prior year as a result of SaskPower's hedging program and reduced volatility of the Canadian dollar. The Canadian dollar closed 2004 at $0.8308 U.S. (2003 - $0.7738, 2002 - $0.6331).
- Net debt of $2,041.2 million (2003 - $1,771.5 million), increased due to the additional borrowing of $400 million during the year offset by debt repayments, sinking fund installments and the revaluation of the U.S. dollar denominated debt.
- Capital spending of $300.6 million (2003 - $266.6 million) was for new wind generation, customer connections and to extend the life of existing infrastructure.
- Debt ratio of 58.2 per cent (2003 – 56.5 per cent).
- Return on equity of 4.8 per cent (2003 – 13.6 per cent).
- Dividend declared to CIC of $59.8 million (2003 - $168.5 million).







2005 Outlook

- Earnings are expected to improve in 2005 as a result of the impact of the system-wide average rate increase.
- SaskPower plans to continue to make significant investments in its generation, transmission and distribution infrastructure with anticipated capital expenditures of $500 million in 2005.

Key Factors Affecting Performance

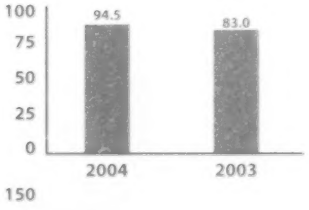
- Weather conditions.
- Export markets.
- Volatility of natural gas prices.
- Availability of relatively low cost hydro and coal generation.

SaskTel

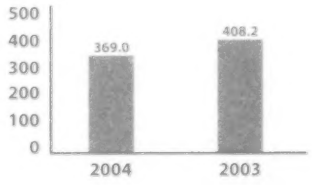
2004 Results

- Earnings were $94.5 million (2003 - $83.0 million). Income from operations was $113.3 million (2003 - $113.3 million).
- Operating revenues of $932.4 million (2003 - $897.2 million) were higher due to increased revenues from cellular, internet and entertainment services. These increases were partially offset by adoption of new accounting standards for recognition of service connection charges.
- Operating expenses of $819.1 million (2003 - $783.9 million) were higher primarily due to restructuring charges of $40.5 million.
- Interest costs of $27.0 million (2003 - $9.3 million) were higher primarily due to a reduction in offsetting foreign currency gains in 2004 as compared to 2003.
- An $8.0 million gain was recognized on the sale of investments.
- Debt was $369.0 million (2003 - $408.2 million).
- Capital spending of $123.1 million (2003 - $127.7 million) continued to focus on investment to support the telecommunications networks and meet customer demand as well as on investment to support growth, including established initiatives such as Max Interactive Services and cellular network expansion.
- Debt ratio of 26 per cent (2003 - 33 per cent).
- Return on equity of 14 per cent (2003 - 13 per cent).
- Dividend declared to CIC of $88.0 million (2003 - $76.6 million) including a $3.0 million special dividend.

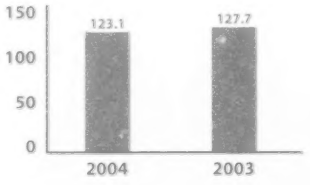
Earnings ($ millions)



Debt ($ millions)



Capital Spending ($ millions)



2005 Outlook

- SaskTel's targeted 2005 net income is $94.2 million (2004 - $94.5 million).
- Revenues from diversified operations are projected to grow while revenues from traditional sources will decline.
- Estimated restructuring charges of $13 million are expected.
- Increased competition is expected in all markets, which may impact market share in many market segments.
- SaskTel will evaluate operational and structural options to further decrease costs within the traditional business.
- SaskTel expects to spend approximately $276 million on capital and external investments during 2005. No significant divestitures are anticipated.

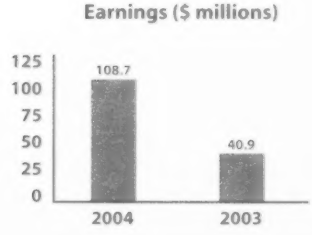
Key Factors Affecting Performance

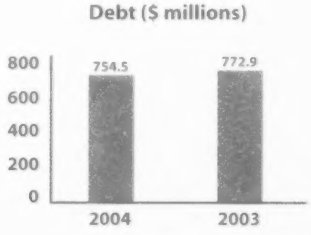
- Next generation technologies delivering internet protocol products and services through traditional and new, non-traditional competitors.
- Competitive pressures in internet, wireless and long distance markets.
- Ability to develop new products and services to support growth and diversification initiatives.
- Challenges of meeting cost reduction targets while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
- Changes in policies and regulations coming from Canadian Radio-television and Telecommunications Commission decisions.

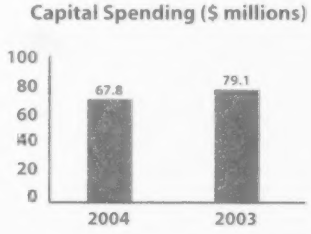
SaskEnergy

2004 Results

- Earnings were $108.7 million[1] (2003 - $40.9 million).
- Revenue of $317.4 million (2003 - $312.9 million) was higher due to increased transportation volumes.
- Operating expenses were $247.3 million (2003 - $244.6 million).
- SaskEnergy incurred a gain on commodity sales of $37.8 million (2003 - $27.3 million loss).
- Debt was $754.5 million (2003 - $772.9 million). The decline was primarily due to improved earnings which allowed SaskEnergy to repay a portion of its short-term debt.
- Capital spending of $67.8 million (2003 - $79.1 million) was primarily for new customer connections, supporting pipeline and storage system expansion and pipeline integrity programs.
- SaskEnergy's commodity rate to its customers was among the lowest of the provincial utilities.
- Net new customer additions to the distribution system were 2,082 (2003 - 1,783).
- The transmission pipeline system throughput increased by one per cent compared to 2003.
- Debt ratio of 68 per cent (2003 - 72 per cent).
- Rate of return on equity of 33 per cent (2002 - 14 per cent).
- Dividend declared to CIC of $70.0 million (2003 - $26.7 million).







2005 Outlook

- The outstanding balance of $25.1 million in the Gas Cost Variance Account at the end of 2004 will continue to be recovered in 2005.
- TransGas Ltd., SaskEnergy's natural gas transmission subsidiary, implemented an average 3.4 per cent reduction to service rates for 2005.
- TransGas is developing a new storage project near Asquith which will serve the needs of a growing demand in
- the Saskatoon area.

  SaskEnergy does not anticipate any change to distribution delivery rates in 2005. Rates for delivery service have not changed since 1997.

Key Factors Affecting Performance

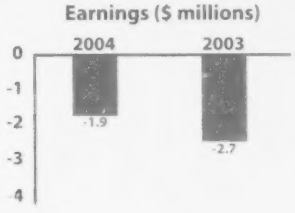
- Weather: a one per cent change in winter temperature affects net income by approximately $0.7 million (warmer weather decreases revenue, colder weather increases revenue).
- Energy conservation efforts by customers are expected to continue to reduce consumption.
- Volatility of natural gas prices.
- Energy transported on the transmission system can be affected by the level of natural gas production in Saskatchewan and demand for natural gas within the province.

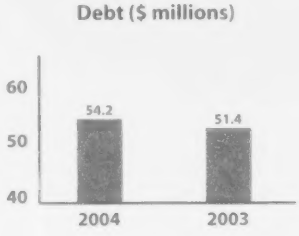
[1] Changes in Accounting Policy: SaskEnergy adopted the new accounting standard for asset retirement obligations effective January 1, 2004 which was required to be applied retroactively. Net impact was a $0.1 million decrease to earnings and a $0.9 million increase to closing equity in 2003. CIC adopted this policy effective January 1, 2003. As such, for consolidation purposes, CIC records SaskEnergy's net income $0.9 million higher than SaskEnergy.

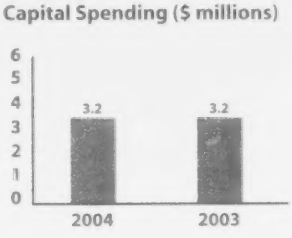
SaskWater
The Quality Advantage

2004 Results

- Operating loss was $1.9 million (2003 - $2.7 million loss) before SPUDCO related legal expenses and operating grants.
- CIC provided operating grants of $9.2 million (2003 - $1.1 million) primarily related to the SPUDCO settlement.
- Revenues were $16.7 million (2003 - $16.0 million).
- Expenses were $18.7 million (2003 - $18.7 million).
- Debt was $54.2 million (2003 - $51.4 million).
- Capital spending of $3.2 million (2003 - $3.2 million) was primarily to expand regional systems to serve St. Louis, Edenwold, Agrium and Canada Salt.
- Total water sales decreased to 4.1 billion gallons (2003 - 4.2 billion gallons).
- SaskWater was not expected to declare a dividend to CIC in 2004.
- Debt ratio of 84 per cent (2003 - 81 per cent).







2005 Outlook

- SaskWater expects to incur a loss.
- SaskWater expects to invest up to $4.2 million in municipal and industrial water supply and treatment infrastructure projects in the province.
- Net water sales revenues are expected to increase.
- Demand for SaskWater's services as a solutions provider to the municipal market are expected to continue to increase as enhanced regulation legislated by Saskatchewan Environment comes into full effect in 2005.

Key Factors Affecting Performance

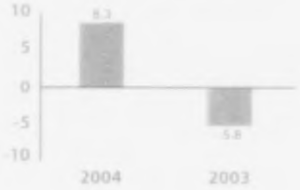
- Forty per cent of revenue is dependant upon demand from the potash and fertilizer industries.
- Weather: drought increases water sales.
- Regulation: increased regulation creates more demand for services.

Information Services Corporation of Saskatchewan

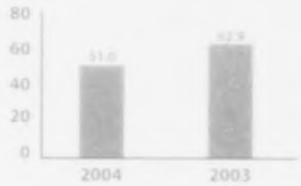
2004 Results

- Earnings were $8.3 million (2003 - $5.8 million loss including a $2.9 million payment to the GRF in 2003). 2004 marked ISC's first year of profitability since its inception in 2000.
- Revenues of $44.1 million (2003 - $36.7 million) increased $7.4 million primarily related to high value transactions, higher volumes of registrations, new contracts and the rebalanced Land Registry, Personal Property Registry and Geomatics fee models.
- Operating expenses were $35.8 million (2003 - $39.5 million), reflecting a concerted effort to optimize and reduce core costs. This reduction was largely attributable to lower employee costs partly offset by contractual arrangements with our technology service providers, and cost reductions across the organization.
- Debt was $51.0 million (2003 - $62.9 million), reflecting the repayment of $11.9 million in short-term debt due to strong operating performance.
- Capital spending was $4.7 million (2003 - $6.4 million) primarily related to computer software and hardware, geomatics enhancements, projects and system enhancements.

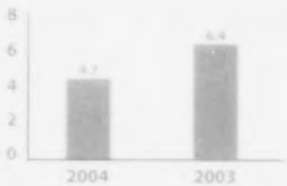
Earnings ($ millions)



Debt ($ millions)



Capital Spending ($ millions)



2005 Outlook

- Focus on broadening ISC's reach to all customer sectors and identifying new services that address customer needs, to solidify excellent working relationships with our customers.
- Continue with Land Registry Business Improvement Initiatives, which will address customer priorities through on-line Land Registry submissions and improved title accuracy.
- Continue redevelopment of PPR services, to provide customers with a fully integrated self-serve, internet-based application.
- Develop and implement a Geomatics Strategy to understand the future of Geomatics from a provincial perspective and determine ISC's role in that future.
- Continue to advance our people practices; sustaining and enhancing established employee development initiatives including succession planning.
- Further develop and implement strategies to attract youth and aboriginal people.
- Continue improving the quality of the products and services that we provide to our customers.
- Undertake a portfolio of Centennial projects to profile the current and historic work of the organization.
- Achieve Level II of the National Quality Institute standards of excellence.
- Develop and implement a new image strategy to heighten public awareness of ISC in the Province.

Key Factors Affecting Performance

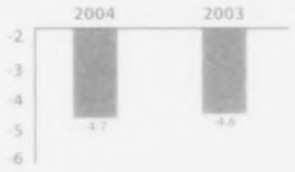
- Volume of searches and registrations.
- Customer satisfaction.
- Ability to achieve and sustain targeted cost reductions.
- Interest rates.

STC
The Bus Company

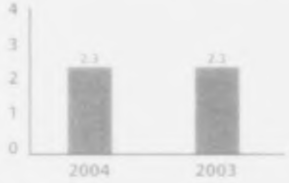
2004 Results

- Loss before grant was $4.7 million (2003 - $4.6 million).
- CIC provided grants of $5.6 million (2003 - $3.5 million) to cover the operating cash shortfall and capital expenditures. The operating grant was $3.7 million (2003 - $1.6 million) and the capital grant was $1.9 million (2003 - $1.9 million).
- Operating revenues were $13.6 million (2003 - $13.6 million).
- Operating expenses were $18.4 million (2003 - $18.2 million).
- Capital expenditures were $2.3 million (2003 - $2.3 million).

Earnings ($ millions)



Capital Spending ($ millions)



2005 Outlook

- STC anticipates an increase of approximately $1.0 million in its cash shortfall due to inflationary pressures and one-time administrative savings realized in 2004.
- Capital spending of $2.0 million is anticipated, mainly for coach replacement.
- No significant changes to routes are expected.
- STC will be monitoring the federal government's response to the Senate report on bus service deregulation.
- As a result of an audit conducted to determine compliance with *The Employment Equity Act (Canada)*, STC may request additional capital funding to upgrade its facilities to improve accessibility.

Key Factors Affecting Performance

- Fuel prices.
- Declining freight market due to depressed rural economy.
- Declining passenger base due to changing demographics, although this trend appears to be slowing down.

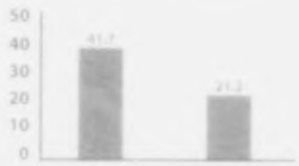
SGI CANADA

2004 Results

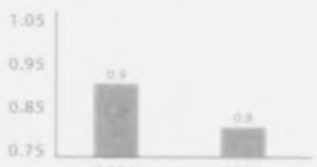
- Earnings were $41.7 million (2003 - $21.2 million), the highest in SGI CANADA's history, primarily due to substantially better underwriting results in Saskatchewan. Also contributing to favourable results was earnings from operations outside of Saskatchewan, which more than doubled from 2003.
- Revenues were $294.8 million (2003 - $260.6 million). The increase is primarily due to growth in Saskatchewan premiums and higher investment earnings resulting mainly from improved gains realized on the sale of investments.
- Claims and expenses totaled $251.6 million (2003 - $238.5 million). The increase is primarily due to higher commission and premium tax expenses, which increase as the premium base grows. Claims costs also increased, but at a slower pace than the growth in premium revenue.
- Capital spending was $0.9 million (2003 - $0.8 million).
- Net risk ratio[1] of 2.7 (2003 - 2.8).
- Return on equity of 42 per cent (2003 - 24 per cent).
- Dividend declared to CIC of $27.1 million (2003 - $13.8 million).

[1] Net risk ratio, a performance indicator widely used in the insurance industry, measures premiums written in relation to statutory capital and surplus.

Earnings ($ millions)



Capital Spending ($ millions)



2005 Outlook

- SGI CANADA will continue to focus on rate adequacy in all jurisdictions in which it sells insurance.
- Out of province expansion to spread risk, grow revenue and create jobs will remain a priority.
- SGI CANADA expects to remain profitable.

Key Factors Affecting Performance

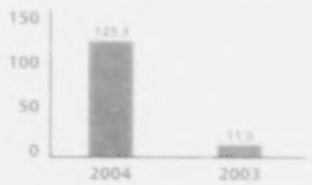
- Weather conditions (i.e. storm activity).
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigate the effect of adverse weather conditions in Saskatchewan.
- Capital markets have a significant impact on investment earnings and profitability.
- Competition and the regulatory environment.

Saskatchewan Auto Fund

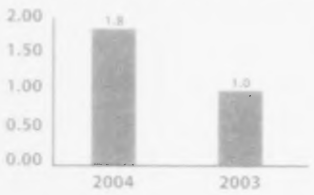
2004 Results

- Earnings were $125.3 million (2003 - $11.5 million). The increase is mainly due to a reduction in the external actuary's estimate of prior year injury claims and higher investment earnings.
- Revenues were $597.1 million (2003 - $541.3 million). The increase is due to growth in premium revenue and higher investment earnings. Premium revenue rose due to an increase in the number of insured vehicles and from a newer vehicle population, which costs more to insure. Investment earnings improved due to higher realized gains on the sale of investments.
- For the fourth consecutive year, the Auto Fund did not increase rates. The Safe Driver Recognition discount increased from a maximum of eight to nine per cent, resulting in many vehicle owners paying lower rates in 2004.
- Total claims and expenses were $471.8 million (2003 - $529.7 million). The decrease is primarily due to a $59.1 million decline in claim costs, mainly due to a reduction in the external actuary's estimated cost of prior year injury claims.
- Capital spending was $1.8 million (2003 - $1.0 million).
- The Rate Stabilization Reserve balance was $140.1 million (2003 - $14.4 million).

Earnings ($ millions)



Capital Spending ($ millions)



2005 Outlook

- Auto Fund customers are expected to continue to enjoy the lowest rates in the country. In 2005, the maximum Safe Driver Recognition discount more than doubled from 9 to 20 per cent for private vehicle owners and from 5 to 10 per cent for commercial vehicle owners.
- The Auto Fund will continue to focus on improving its products and services.

Key Factors Affecting Performance

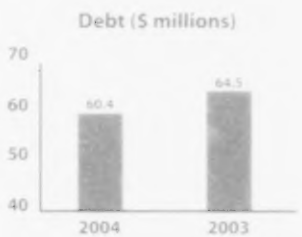
- Winter driving conditions and summer storm activity have a significant effect on the financial results of the Auto Fund.
- Property reinsurance protection is purchased to mitigate the effect of catastrophic events.
- Capital markets have a significant impact on investment earnings.

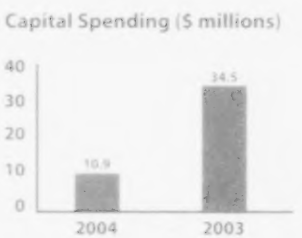
Note:
The Saskatchewan Auto Fund is a stand-alone, compulsory auto insurance program administered by SGI. The Auto Fund's financial results are not included in SGI Canada's or CIC's consolidated financial statements. The Auto Fund does not receive money from, or pay dividends to, the province.

Investment Saskatchewan

2004 Results

- Earnings were $19.3 million (2003 - $7.5 million). Investment Saskatchewan Inc.'s six largest investments made up the majority of revenue, earnings, and assets.
- Revenue of $274.0 million (2003 - $209.4 million) increased $64.6 million primarily due to:
  - Receipts from HARO Financial Corporation (HARO) of $154.5 million (2003 - $Nil). Of these receipts, $30.9 million was recorded as interest income, with the balance being applied as principal repayments.
  - Strong fertilizer prices.
  - High prices combined with favourable production and sales volumes from oriented strand board operations.
- Expenses of $217.9 million (2003 - $203.3 million) increased $14.6 million primarily due to increased cost of goods sold in support of increased sales volumes.
- Provisions for loan losses and writedowns of investments totaled $36.8 million (2003 - recovery of $1.4 million). The outlook for pulp prices and the strong Canadian dollar have caused uncertainty as to timing of future loan repayments from Meadow Lake Pulp Limited Partnership (MLPLP). As a result, Investment Saskatchewan Inc. has taken a provision for accounting purposes of $30.0 million against its loans to MLPLP.
- Long-term debt was $60.4 million (2003 - $64.5 million).
- Purchases of investments were $8.4 million (2003 - $25.7 million) and purchases of property, plant and equipment were $2.5 million (2003 - $8.8 million).





2005 Outlook

- Should suitable opportunities arise, Investment Saskatchewan Inc. anticipates a further $50 million in investments.
- HARO does not expect to receive any distributions from its investment in Crown Life Insurance Company during 2005. Investment Saskatchewan Inc. will actively pursue means of accelerating repayments.
- Although pulp prices are expected to strengthen from 2004 levels, the exchange rate is expected to have an ongoing negative impact on Canadian pulp producers throughout 2005.
- Oriented strand board (OSB) prices are projected to be weaker than those experienced in 2004.
- High natural gas prices and declining fertilizer prices will pressure earnings from fertilizer operations.
- Continued pressure on livestock and meat industries is expected due to U.S. dollar exchange rates, BSE and market uncertainties.

Key Factors Affecting Performance

- Prices for pulp, OSB, livestock and meat.
- Demand for meat products and livestock due to BSE and other market uncertainties.
- U.S./Canadian exchange rate.
- Input costs for livestock operations (feed) and pulp (bleaching chemicals, wood, liquid and natural gas).
- North American real estate markets, risk management practices, investment performance, and outcomes of outstanding insurance litigation that impact results of insurance operations.

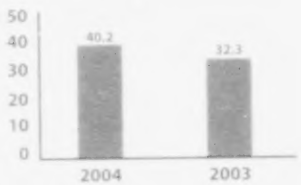
NewGrade Energy Inc.

2004 Results

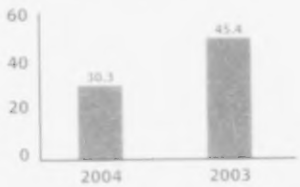
- Earnings* - $40.2 million (2003 - $32.3 million).
- Revenue *- $584.7 million (2003 - $577.3 million).
- Price differentials were higher than in 2003 and contributed to NewGrade's positive net earnings in 2004. Increased throughputs, inventory gains due to rising crude oil prices and a foreign exchange gain also contributed to the successful year.
- The average price differential between NewGrade's heavy crude oil feedstock and its reconstituted crude product was significantly above operating break-even levels for the entire year.
- Each shareholder received a cash dividend of $60.4 million (2003 - $7.7 million)

*represents CIC's 50% Share

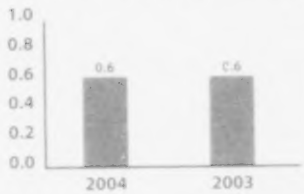
Earnings* ($ millions)



Debt* ($ millions)



Capital Spending* ($ millions)



2005 Outlook

- Industry analysts forecast that price differentials will remain fairly high compared to historic levels.
- NewGrade expects to process about the same volume of heavy crude as in 2004.
- Financial performance is expected to remain strong compared to historical results, due to the combination of continuing relatively high price differentials and increased throughput.
- A substantial cash dividend to the shareholders is expected at the end of 2005.

Key Factors Affecting Performance

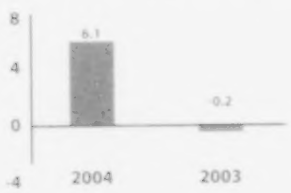
- Price differentials. At budgeted operating levels, a $1 per barrel change in the price differential affects annualized earnings and cash flow by $19.6 million.
- Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa.
- The effect of U.S./Canada exchange rate changes on price differentials is partially offset by the effect on the cost of servicing U.S. dollar debt.
- Natural gas input costs. A $0.10 per gigajoule change in the price of natural gas affects annualized earnings and cash flow by $1.0 million.

SOCO

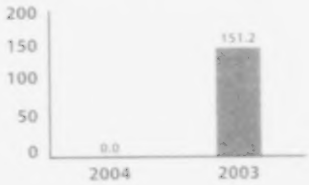
2004 Results

- Earnings of $6.1 million (2003 - net loss $0.2 million).
- Revenues of $23.3 million (2003 - $26.3 million) including General Revenue Fund grants of $1.8 million (2003 - $6.6 million).
- Operating revenues (net of GRF grants) increased due to the acquisition of #1 and #2 Research Drive which were purchased from the University of Regina in the last quarter of 2003. The Bio Processing Centre results from operations also positively impacted 2004 revenues.
- Expenses of $17.3 million (2003 - $26.5 million) were down due to the April 1, 2004 transfer of SOCO's research park assets to the GRF in exchange for the cancellation of SOCO's debt. This transaction effectively eliminated interest and amortization expense for the remaining three quarters of 2004.
- Capital spending of $8.8 million (2003 - $18.2 million) related primarily to the on-going construction for the Saskatchewan Forest Centre Building in Prince Albert which is scheduled for completion in early 2005.
- SOCO no longer receives grants from the GRF.
- SOCO did not declare a dividend to CIC in 2004.

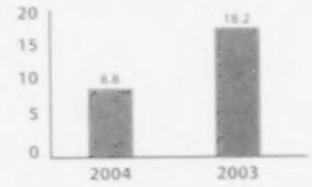
Earnings ($ millions)



Debt ($ millions)



Capital Spending ($ millions)



2005 Outlook

- In 2005, SOCO expects to see greater activity in the advanced technology and environmental science sectors.
- Existing clients are expanding and numerous potential clients have approached management to discuss facilities in both parks.
- In 2005, SOCO expects to receive approval for, and begin the design of, two new research park buildings – one in Regina and one in Saskatoon.
- In 2005, SOCO will continue to grow the research parks to ensure a strong and vibrant technology sector in Saskatchewan.

Key Factors Affecting Performance

- Access to future capital.
- Rental and property vacancy rates.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

2004 Results

- Earnings of $0.5 million (2003 - $0.4 million).
- Revenues of $3.2 million (2003 - $3.6 million) reflect a declining investment portfolio upon which the management fee rate is based.
- Expenses of $2.4 million (2003 - $2.9 million) reflect the decline in costs of the fund manager to administer the investment portfolio.
- No payments were made during 2004 to the remaining 31 investors in SGGF II. Future payments to these investors are dependent on the ability of the fund to liquidate its remaining investments.
- SGGF III , IV, and V identified potential investment liquidity problems that have forced the Funds to reduce repayments to investors at maturity. When the equity investments in question are liquidated, it is expected that additional payments will be made.
- The remaining three funds (SGGF VI, VII and VIII) have an overall lower risk profile on their portfolios due to a heavier weighting of lease-related investments. This lowers fund returns and may reduce note repayments.
- To the end of 2004, SGGF had, through its fund companies, invested more than $270 million in 71 new or expanding businesses.
- Total net earnings in the fund companies for the year is $2.0 million (2003 - loss of $4.9 million) due to a change in accounting policy for Fund Companies to recognize unrealized gains on investments.

2005 Outlook

- Although each of SGGF's fund companies is at a different stage in its investment life cycle, there are two general categories of funds:
  - The first group of funds (SGGF I through V) is focused on managing investments to achieve the best liquidation proceeds possible in order to repay investors as notes mature.
  - The second group of funds (SGGF VI, VII, and VIII) is focused on supporting investment projects with a view to developing the venture businesses and increase investment value.
- SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. As more funds reach maturity, increasing focus will be placed on extracting the most value from its remaining investments in order to maximize payments to its investors.

Key Factors Affecting Performance

- Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
- Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management
- SGGF operates primarily on a cost-recovery basis and hence operates at or near break-even.

Crown Investments Corporation of Saskatchewan
Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

Tom J. Waller, Q.C.
President & CEO

March 14, 2005

Blair Swystun, CFA
Vice-President & CFO

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2004 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 14, 2005

Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	2004	2003 Restated Note 3
ASSETS		
Current		
Cash	$ 18,923	$ 27,097
Short-term investments (Note 4)	695,928	302,827
Accounts receivable	565,294	541,783
Inventories (Note 5)	180,067	165,265
Prepaid expenses	101,505	97,374
	1,561,717	1,134,346
Long-term investments (Note 6)	758,947	995,718
Property, plant and equipment (Note 7)	5,424,622	5,385,609
Other assets (Note 8)	394,379	358,809
	$ 8,139,665	$ 7,874,482
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	$ 22,368	$ 21,418
Accounts payable and accrued liabilities	648,294	575,509
Notes payable (Note 9)	115,400	212,075
Dividend payable to General Revenue Fund	263,000	200,000
Deferred revenue	178,591	167,304
Long-term debt due within one year (Note 10)	228,296	164,483
	1,455,949	1,340,789
Long-term debt (Note 10)	3,017,374	2,981,839
Deferred revenue and other liabilities (Note 11)	401,263	329,989
	4,874,586	4,652,617
Province of Saskatchewan's Equity		
Equity advances (Note 12)	1,181,152	1,181,152
Contributed surplus	2,427	3,274
Retained earnings	2,081,500	2,037,439
	3,265,079	3,221,865
	$ 8,139,665	$ 7,874,482

Commitments and contingencies (Note 13)
(See accompanying notes)

On behalf of the Board:

Pat Atkinson
Director

Maynard Sonntag
Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands of dollars)

	2004	2003
		Restated Note 3
REVENUE		
Sales of products and services	$ 3,974,950	$ 3,857,164
Investment (Note 6(i))	103,523	39,069
Other	4,117	13,051
	4,082,590	3,909,284
EXPENSES		
Operating costs other than those listed below	2,950,021	2,903,360
Interest (Note 14)	252,919	122,353
Amortization of property, plant and equipment	409,988	424,517
Saskatchewan taxes and resource payments (Note 15)	87,342	98,373
	3,700,270	3,548,603
Earnings before the following	382,320	360,681
Public policy expenditure (Note 16)	(52,046)	-
Future income tax (expense) recovery (Note 17)	(26,236)	469
Non-recurring items (Note 18)	8,023	(15,797)
NET EARNINGS	312,061	345,353
RETAINED EARNINGS, BEGINNING OF YEAR	2,037,439	1,896,065
RELATED PARTY TRANSACTION ADJUSTMENT (Note 19)	-	(3,979)
	2,349,500	2,237,439
DIVIDEND TO GENERAL REVENUE FUND	(268,000)	(200,000)
RETAINED EARNINGS, END OF YEAR	$ 2,081,500	$ 2,037,439

(See accompanying notes)

Consolidated Statement of Financial Position

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(thousands of dollars)

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DIVIDEND TO GENERAL REVENUE FUND	(268,000)	(200,000)
RETAINED EARNINGS, END OF YEAR	$ 2,081,500	$ 2,037,439

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	2004	2003 Restated Note 3
OPERATING ACTIVITIES		
Net earnings	$ **312,061**	$ 345,353
Items not affecting cash from operations (Note 20)	**379,016**	230,846
	691,077	576,199
Net change in non-cash working capital balances related to operations	**(348,277)**	197,793
Cash provided by operating activities	**342,800**	773,992
INVESTING ACTIVITIES		
Purchase of investments	**(554,505)**	(509,065)
Proceeds from sales and collections of investments	**669,327**	457,314
Purchase of property, plant and equipment	**(479,229)**	(488,462)
Proceeds from sale of property, plant and equipment	**7,352**	8,111
(Increase) decrease in other assets	**(34,825)**	21,292
Cash used in investing activities	**(391,880)**	(510,810)
FINANCING ACTIVITIES		
Decrease in notes payable	**(70,875)**	(28,750)
Increase (decrease) in deferred revenue and other liabilities	**29,373**	(20,101)
Long-term debt proceeds from General Revenue Fund	**452,100**	250,000
Long-term debt proceeds from other lenders	**506**	7,172
Long-term debt repayments to General Revenue Fund	**(142,739)**	(163,696)
Long-term debt repayments to other lenders	**(23,409)**	(11,275)
Dividend paid to General Revenue Fund	**(205,000)**	(300,000)
Cash provided by (used in) financing activities	**39,956**	(266,650)
NET DECREASE IN CASH DURING YEAR	**(9,124)**	(3,468)
CASH POSITION, BEGINNING OF YEAR	**5,679**	9,147
CASH POSITION, END OF YEAR	$ **(3,445)**	$ 5,679
Cash position consists of:		
Cash	$ **18,923**	$ 27,097
Bank indebtedness	**(22,368)**	(21,418)
	$ **(3,445)**	$ 5,679

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	2004	2003
		Restated Note 3
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Bank indebtedness	(22,368)	(21,418)
	$ (3,445)	$ 5,679

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2004

1. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, within reasonable limits of materiality, using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under *The Crown Corporations Act, 1993* (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and submitted annually to the Legislative Assembly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these financial statements:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

Canadian Power Consultants	14%
Centennial Foods Partnership	35%
Cory Cogeneration Funding Corporation	50%
Cory Cogeneration Joint Venture	50%
Foragen Technologies Limited Partnership	33%
Heritage Gas Limited	50%
Hypor B.V.	50%
Hypor LP	50%
Meadow Lake Pulp Limited Partnership	50%
NewGrade Energy Inc.	50%

c) Short-term investments

Short-term investments have an average maturity date of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

1. Summary of Significant Accounting Policies (continued)

d) Inventories

Inventories for resale are valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

e) Investments

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received or receivable.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at the weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization.

Customer capital contributions related to the construction of new service connections are applied against property, plant and equipment and are amortized on a straight-line basis over the estimated service life of the related asset.

g) Amortization of property, plant and equipment

Amortization is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated productive life of each asset as follows:

Machinery and equipment	2 - 50 years
Buildings and improvements	20 - 40 years
Coal properties and rights	30 years

1. Summary of Significant Accounting Policies (continued)

h) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely a reasonable estimate of fair value for the assets cannot be determined. Therefore no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

i) Impairment of long-lived assets

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2004, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.

j) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

k) Other assets

Natural gas in storage is recorded at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Deferred financing charges applicable to the issue of long-term debt are amortized on a straight-line basis over the respective term of each obligation.

1. Summary of Significant Accounting Policies (continued)

k) Other assets (continued)

Customer accounts acquired are capitalized and amortized on a straight-line basis over their useful life from the date of acquisition.

The Corporation has assigned unamortized goodwill balances to reporting units and no longer records any goodwill amortization. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flows, earnings multiples and market comparable approach. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a charge against earnings in the year impairment is recognized.

l) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

m) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These premiums are taken into income over the life of the policy.

n) Provision for unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

o) Revenue recognition

Revenue from utility and other services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable. Revenue from long distance, wireless airtime and directory services are recognized based on usage or rate plans over the period the services are provided. Revenues from insurance premiums written are taken into income over the terms of the related policies. Revenue from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

1. Summary of Significant Accounting Policies (continued)

o) Revenue recognition (continued)

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

p) Competitive gas sales

Where the Corporation purchases natural gas in the open market at a fixed purchase price and simultaneously enters into agreements to sell this natural gas at a fixed selling price, the gain or loss is recorded at the time the transaction is settled.

In addition, the Corporation may enter into contracts that require either the physical delivery (sale) or receipt (purchase) of natural gas in a future period. Contracts may be structured so that the settlement price is determined in the future at the time of delivery or receipt. Changes in the value of the contract due to a change in market prices up to the date of settlement are recorded as gains or losses in the period of change.

q) Electrical trading sales

Electricity trading revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or broker, in which case revenues are recorded net of purchases. The Corporation acts as a principal in electricity trading transactions taking title to the electricity purchased for resale and assuming the risks and rewards of ownership. Therefore, electricity trading revenues are recorded on a gross basis.

r) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year.

The financial statements of the Corporation's self-sustaining foreign operations are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at year end, and revenues and expenses at average exchange rates during the year.

s) Derivative financial instruments

Derivative financial instruments are used by the Corporation to hedge its exposure to market risks relating to commodity price for natural gas and hogs, foreign currency exchange rates and interest rates. Gains and losses on forward contracts and cross currency swaps used to manage foreign exchange rates are recognized on the same basis as the gains and losses on the hedged item. Gains or losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums or discounts with respect to financial investment contracts are deferred and amortized to earnings over the contract period.

1. Summary of Significant Accounting Policies (continued)

s) Derivative financial instruments (continued)

Effective January 1, 2004, the Corporation commenced application of the new Canadian Institute of Chartered Accountants Accounting Guideline 13. The guideline requires identification, designation, documentation and effectiveness of hedging relationships be established at the inception of each hedge in order to apply hedge accounting. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative financial instrument and the item designated as being hedged. Gains and losses are recognized in the same period as the hedged item is settled and are recorded in the statement of earnings and retained earnings. If correlation ceases, hedge accounting is terminated and future changes in the market value of the derivative instruments are recognized as gains or losses in the period of change. For those derivative instruments that existed at January 1, 2004, there was no material impact on these financial statements as a result of the adoption of Accounting Guideline 13.

t) Employee future benefits

The Corporation has three defined benefit pension plans and a defined contribution pension plan that provides retirement benefits for its employees. For its defined benefit plans, the Corporation has adopted the following policies:

i) For the purpose of calculating the expected return on plan assets, those assets are valued at market value, which approximates fair value.
ii) Pension obligations are determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
iv) Past service costs from plan amendments and the transitional asset are amortized on a straight-line basis over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners.
v) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over a period of time which is blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners.
vi) When the restructuring of a benefit plan results in both a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also provides a defined benefit service recognition plan for management employees. The cost of the plan is determined using the projected benefit method prorated on service.

u) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

1. Summary of Significant Accounting Policies (continued)

u) Use of estimates (continued)

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets and capitalization of labour and overhead, provision for unpaid insurance claims, the carrying amount of goodwill, customer accounts and future income taxes and underlying estimates of future cash flow, the carrying amounts of accounts receivable and underlying provision for bad debts and the carrying amounts of deferred pension costs and underlying actuarial assumptions. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Prior Period Adjustment
(thousands of dollars)

During the year, the Corporation adjusted amounts previously reported for accounts receivable and property, plant and equipment. The corrections were accounted for retroactively with restatement of all prior periods reported. The effect of the corrections to the financial statements as at December 31, 2003 is as follows:

Operating revenues	**$ (766)**
Depreciation and amortization	**1,263**
Retained earnings	**(1,933)**
Accounts receivable	**(1,909)**
Property, plant and equipment	**(2,053)**
Items not affecting cash from operations	**1,263**
Non-cash working capital balance	**(766)**

4. Short-Term Investments

Short-term investments consist of funds invested at an effective average interest rate of 2.44 per cent (2003 - 2.93 per cent).

5. Inventories
(thousands of dollars)

	2004	2003
Raw materials	**$ 39,098**	$ 34,826
Work-in-progress	**2,730**	1,055
Finished goods	**138,239**	129,384
	$ 180,067	$ 165,265

1. Summary of Significant Accounting Policies (continued)

u) Use of estimates (continued)

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets and capitalization of labour and overhead, provision for unpaid insurance claims, the carrying amount of goodwill, customer accounts and future income taxes and underlying estimates of future cash flow, the carrying amounts of accounts receivable and underlying provision for bad debts and the carrying amounts of deferred pension costs and underlying actuarial assumptions. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

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6. Long-Term Investments
(thousands of dollars)

	Voting Percentage	2004	2003
Equity Investments			
Saskferco Products Inc. (a)	49.0%	$ 136,637	$ 120,188
ML OSB Limited Partnership (b)	25.0%	43,940	30,614
MRM Cogeneration Station (c)	30.0%	25,460	25,444
Big Sky Farms Inc. (d)	39.5%	21,649	16,455
Other share investments - equity basis		43,425	42,404
		271,111	235,105
Portfolio Investments			
HARO Financial Corporation (f)		68,000	68,000
Other share investments - cost basis		76,248	103,837
		144,248	171,837
Bonds, Debentures, Loans and other Advances			
HARO Financial Corporation (f)		15,448	139,029
Meadow Lake Pulp Limited Partnership Loans (g)		19,188	49,188
Other bonds and debentures		286,372	220,617
Other loans and notes receivable		14,678	41,258
		335,686	450,092
Property Holdings (h)		4,543	135,148
Leases Receivable		3,359	3,536
		$ 758,947	$ 995,718

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6. Long-Term Investments (continued)

a) The Corporation owns all of the outstanding 68,449,080 (2003 - 68,449,080) Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49 per cent voting interest.

b) The Corporation entered into a limited partnership, Meadow Lake OSB Limited Partnership (ML OSB) with Tolko Industries Ltd., Meadow Lake OSB Mill Corporation and Northwest Communities Wood Products Ltd. for the purpose of constructing and operating an oriented strand board facility in Saskatchewan. The Corporation has invested $27.5 million in ML OSB representing a 25 per cent ownership interest. The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The expiry date for 9,980,000 units is October 1, 2008 and the expiry date for 10,000,000 units is December 2011. If exercised, the Corporation's interest would be diluted to 6.8 per cent.

c) The Corporation has a 30 per cent ownership interest in the MRM Cogeneration Station. The 170 megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

d) The Corporation holds a 39.5 per cent (2003 - 41.2 per cent) interest in Big Sky Farms Inc. (Big Sky), a hog production operation headquartered in Humboldt, Saskatchewan. The Corporation holds 150,000 (2003 - 150,000) common shares and 3,750,000 (2003 - 3,750,000) convertible preferred shares which entitle the Corporation to an annual cumulative dividend of 5.0 per cent to 2005, and a 10.0 per cent annual cumulative dividend thereafter. All cumulative preferential dividends to June 30, 2004 were paid to the Corporation and reinvested in a debenture. At December 31, 2004, the balance of the debenture is $2.9 million. The preferred shares may be converted to common shares by the holder, on a one-to-one basis, anytime in the first five years from date of issue ending in 2005. Furthermore, the preferred shares are retractable or redeemable starting in 2007. The Corporation holds options to acquire an additional 500,000 convertible voting preferred shares which expire in 2005 and 2007.

e) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

f) In 1992, the Corporation entered into a Term Loan agreement with HARO Financial Corporation (HARO). The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the third five-year term, the interest rate on the loan is 5.50 per cent (2003 - 5.50 per cent) compounded annually.

Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2004, consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2004, is $185.2 million (2003 - $198.8 million).

6. Long-Term Investments (continued)

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval.

Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

g) The Corporation owns a 50 per cent joint venture interest in Meadow Lake Pulp Limited Partnership (MLPLP) located near Meadow Lake, Saskatchewan.

The Corporation has provided the following loans:

i) Participating Debenture ($79.5 million) bearing interest at a fixed rate of 11.15 per cent, calculated on October 31 each year. Due to uncertainty of cash flows, an allowance for investment losses of $79.5 million (2003 - $60.0 million) related to the Participating Debenture has been recorded resulting in a net balance of $Nil (2003 - $19.5 million).

ii) Term Loan ($10.0 million) bearing interest at prime plus 2 per cent, or 6.25 per cent at December 31, 2004 (2003 - 6.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

iii) Contingency Loan ($5.5 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance. Due to uncertainty of cash flows, an allowance for investment losses of $5.5 million (2003 - $Nil) related to the Contingency Loan has been recorded resulting in a net balance of $Nil (2003 - $5.5 million).

iv) Guarantee Advance ($4.0 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

v) Cash Flow Loan ($5.2 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

vi) Guarantee Loan ($5.0 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance. Due to uncertainty of cash flows, an allowance for investment losses of $5.0 million (2003 - $Nil) related to the Guarantee Loan has been recorded resulting in a net balance of $Nil (2003 - $5.0 million).

6. Long-Term Investments (continued)

The Corporation records, as a separate loan (Interest Loan), accrued interest receivable from the Participating Debenture totaling $241.3 million (2003 - $209.1 million). Interest on the Interest Loan at a fixed rate of 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection and is netted against the outstanding loan balance. Deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Guarantee Advance, Cash Flow Loan, Guarantee Loan and Interest Loan are subject to available cash flows as defined in the loan agreements. Payments toward principal outstanding on the Term Loan are due in two equal instalments after MLPLP has fully repaid an external loan.

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.63 per cent at December 31, 2004 (2003 - 2.62 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation has taken a provision of $30 million in the current year, against the carrying value of these loans, and believes its loans to MLPLP are properly valued as at December 31, 2004. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

h) On April 1, 2004 the Corporation's interest in Saskatoon Innovation Place and the Regina Research Park was transferred to the General Revenue Fund (GRF) for proceeds equaling their book value. Proceeds from the transfer were used to retire debt owing to the GRF (Note 23).

i) Included in investment revenue are earnings (losses) from equity investments as follows (thousands of dollars):

	2004	2003
Saskferco Products Inc.	$ 19,667	$ 6,197
ML OSB Limited Partnership	15,801	2,968
MRM Cogeneration Station	30	1,579
Big Sky Farms Inc.	2,866	(143)
Other	(3,013)	(1,232)
	$ 35,351	$ 9,369

6. Long-Term Investments (continued)

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	$ 35,351	$ 9,369

7. Property, Plant and Equipment

(thousands of dollars)

	Cost	2004 Accumulated Amortization	Net Book Value	2003 Net Book Value
Machinery & equipment	$ 8,922,222	$ 4,531,717	$ 4,390,505	$ 4,394,599
Buildings & improvements	1,199,186	538,904	660,282	664,954
Plant under construction	254,246	-	254,246	201,427
Land, coal properties & rights	200,130	80,541	119,589	124,629
	$ 10,575,784	$ 5,151,162	$ 5,424,622	$ 5,385,609

8. Other Assets

(thousands of dollars)

	2004	2003
Natural gas in storage	$ 121,019	$ 107,868
Deferred pension costs	77,357	69,411
Future income tax asset (Note 17)	50,002	76,201
Deferred asset	34,764	16,311
Customer accounts acquired (a)	29,498	30,601
Goodwill	27,087	27,062
Other deferred charges	54,652	31,355
	$ 394,379	$ 358,809

(a) Amortization of customer accounts acquired for the year ended December 31, 2004 was $5.2 million (2003 - $5.0 million) and is expensed as part of operating costs.

9. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an average interest rate of 2.50 per cent (2003 - 2.65 per cent).

10. Long-Term Debt
(thousands of dollars)

		2004		2003	
		Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate
Years to Maturity					
A. General Revenue Fund	**U.S.**	**Canadian**			
Canadian Dollar Issues					
1 - 5 years		$ 724,801	9.59	$ 874,729	9.97
6 - 10 years		276,796	6.17	273,172	7.71
11 - 15 years		3,513	8.13	5,081	8.13
16 - 20 years		417,671	7.79	313,971	7.44
21 - 25 years		310,000	6.80	175,000	8.75
26 - 30 years		860,000	6.11	620,000	5.93
		2,592,781		2,261,953	
U.S. Dollar Issues					
1 - 5 years	$ 194,000	233,498	7.13	250,726	7.13
6 - 10 years	75,000	90,270	7.38	96,930	7.38
11 - 15 years	-	-	-	-	-
16 - 20 years	300,000	361,080	8.94	517,370	9.09
	$ 569,000	684,848		865,026	
		3,277,629		3,126,979	
Less:					
Sinking fund balance		(221,672)		(194,561)	
Total due to GRF		3,055,957		2,932,418	
B. Other long-term debt					
Canadian Dollar Issues (due 2005 to 2026)		159,385	Various	169,578	Various
U.S. Dollar Issues (due 2005 to 2007)	$ 24,899	30,328	10.05	44,326	9.62
Total other long-term debt		189,713		213,904	
		3,245,670		3,146,322	
Less:					
Due within one year		(228,296)		(164,483)	
TOTAL LONG-TERM DEBT		$ 3,017,374		$ 2,981,839	

7. Property, Plant and Equipment

(thousands of dollars)

	Cost	2004 Accumulated Amortization	Net Book Value	2003 Net Book Value
Machinery & equipment	$ 8,922,222	$ 4,531,717	$ 4,390,505	$ 4,394,599
Buildings & improvements	1,199,186	538,904	660,282	664,954
Plant under construction	254,246	-	254,246	201,427
Land, coal properties & rights	200,130	80,541	119,589	124,629
	$ 10,575,784	$ 5,151,162	$ 5,424,622	$ 5,385,609

8. Other Assets

(thousands of dollars)

	2004	2003
Natural gas in storage	$ 121,019	$ 107,868
Deferred pension costs	77,357	69,411
Future income tax asset (Note 17)	50,002	76,201
Deferred asset	34,764	16,311
Customer accounts acquired (a)	29,498	30,601
Goodwill	27,087	27,062
Other deferred charges	54,652	31,355
	$ 394,379	$ 358,809

(a) Amortization of customer accounts acquired for the year ended December 31, 2004 was $5.2 million (2003 - $5.0 million) and is expensed as part of operating costs.

9. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an average interest rate of 2.50 per cent (2003 - 2.65 per cent).

10. Long-Term Debt

(thousands of dollars)

		2004		2003	
		Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate
Years to Maturity					
A. General Revenue Fund	**U.S.**	**Canadian**			
Canadian Dollar Issues					
1 - 5 years		**$ 724,801**	**9.59**	$ 874,729	9.97
6 - 10 years		**276,796**	**6.17**	273,172	7.71
11 - 15 years		**3,513**	**8.13**	5,081	8.13
16 - 20 years		**417,671**	**7.79**	313,971	7.44
21 - 25 years		**310,000**	**6.80**	175,000	8.75
26 - 30 years		**860,000**	**6.11**	620,000	5.93
		2,592,781		2,261,953	
U.S. Dollar Issues					
1 - 5 years	**$ 194,000**	**233,498**	**7.13**	250,726	7.13
6 - 10 years	**75,000**	**90,270**	**7.38**	96,930	7.38
11 - 15 years	-	-	-	-	-
16 - 20 years	**300,000**	**361,080**	**8.94**	517,370	9.09
	$ 569,000	**684,848**		865,026	
		3,277,629		3,126,979	
Less:					
Sinking fund balance		**(221,672)**		(194,561)	
Total due to GRF		**3,055,957**		2,932,418	
B. Other long-term debt					
Canadian Dollar Issues (due 2005 to 2026)		**159,385**	**Various**	169,578	Various
U.S. Dollar Issues (due 2005 to 2007)	**$ 24,899**	**30,328**	**10.05**	44,326	9.62
Total other long-term debt		**189,713**		213,904	
		3,245,670		3,146,322	
Less:					
Due within one year		**(228,296)**		(164,483)	
TOTAL LONG-TERM DEBT		**$ 3,017,374**		$ 2,981,839	

10. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Principal repayments (including sinking funds) due in each of the next five years are as follows (thousands of dollars):

2005	**$ 228,759**
2006	**248,229**
2007	**170,496**
2008	**441,438**
2009	**75,639**

Long-term debt payable in United States dollars has been translated into Canadian dollars at an average year-end exchange rate of 1.211 (2003 - 1.299).

11. Deferred Revenue and Other Liabilities
(thousands of dollars)

	2004	2003
Provision for unpaid insurance claims	**$ 232,560**	$ 211,128
Cross currency swaps	**61,976**	21,841
Environmental remediation liabilities	**53,626**	53,626
Asset retirement obligation	**29,140**	27,004
Other liabilities	**15,738**	13,710
Deferred income	**8,223**	2,680
	$ 401,263	$ 329,989

The asset retirement obligation, environmental remediation liabilities and provision for unpaid insurance claims are based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result, the recorded amount of these liabilities could change by a material amount in the near term.

12. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

10. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

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12. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

13. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2004:

a) The Corporation has forward purchase commitments of $1,656.0 million (2003 - $1,768.0 million) for coal contracted for future minimum deliveries and 1.6 petajoules of natural gas valued at current prices.

b) The Corporation has committed to provide $19.8 million (2003 - $29.2 million) in loans and equity for investment in Saskatchewan business.

c) The Corporation has entered into power purchase agreements expected to cost $4.8 billion until 2027 and provide approximately 449 megawatts of electrical power annually.

d) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of $275.0 million. The fair value of the Corporation's guarantee is $25.9 million (2003 - $35.6 million).

e) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2004, the GRF's exposure under the guarantee does not exceed $360.0 million. The Corporation does not expect any exposure under this guarantee.

f) The Corporation has guaranteed MLPLP's long-term debt repayments as part of a 2001 financial restructuring of MLPLP. The remaining guarantee is to a maximum of $54.0 million (2003 - $62.0 million) at December 31, 2004.

g) The Corporation has issued letters of credit in the amount of $47.2 million (2003 - $16.0 million).

h) The Corporation has entered into natural gas price swaps with counterparties, to fix the purchase price for a total of 2.1 petajoules in 2005 and 2006. The natural gas will be held for operations. The Corporation has entered into natural gas price swaps to fix the final selling price for the 4.8 petajoules committed for sale during 2005 and 2006.

i) The Corporation has guaranteed $25.0 million (2003 - $21.0 million) of energy savings to various customers through the Corporation's energy performance contracts. These guarantees are mitigated by third party guarantees to the Corporation that ensure the energy savings are realized.

j) The Corporation has a $5.0 million U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

k) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with HARO Financial Corporation (HARO), Extendicare Inc., Crown Life Insurance Company (Crown Life), and the Directors and certain Officers of Crown Life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2 per cent of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10 per cent or $32.1 million and terminates on the earlier of the second closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

13. Commitments and Contingencies (continued)

l) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

14. Interest Expense
(thousands of dollars)

	2004	2003
Interest on long-term debt	$ 273,378	$ 277,218
Foreign exchange gains	(6,450)	(150,011)
Amortization of deferred financing costs	1,958	1,987
	268,886	129,194
Less:		
Sinking fund earnings	(13,781)	(8,506)
Interest capitalized	(5,834)	(2,819)
	(19,615)	(11,325)
Long-term debt interest expense	249,271	117,869
Short-term debt interest expense	3,648	4,484
	$ 252,919	$ 122,353

Interest paid during the year, on a cash basis, was $274.6 million (2003 - $283.5 million).

15. Saskatchewan Taxes and Resource Payments
(thousands of dollars)

	2004	2003
Grants in lieu of taxes to municipalities	$ 44,462	$ 46,209
Saskatchewan capital tax	27,197	32,896
Insurance premium tax	11,537	10,877
Other	4,146	8,391
	$ 87,342	$ 98,373

16. Public Policy Expenditure

The Corporation through Cabinet was directed to provide the lowest combined costs in Canada for certain residential products provided by its subsidiaries Saskatchewan Power Corporation (residential power), Saskatchewan Telecommunications Holding Corporation (basic residential phone service), SaskEnergy Incorporated (residential heating) and Saskatchewan Government Insurance (basic car insurance).

During the year the Corporation determined it would need to provide $137 per household to meet the directive. Each payout was delivered as a credit on one of each household's Saskatchewan Telecommunications Holding Corporation, Saskatchewan Power Corporation or SaskEnergy Incorporated bill.

17. Income Taxes

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows (thousands of dollars):

	2004	2003
Net income (loss) before income taxes from taxable subsidiaries and joint ventures	$ 71,432	$ 23,009
Combined federal and provincial tax rate	39.0%	38.7%
Computed tax expense based on the combined rate	$ 27,879	$ 8,894
Increase (decrease) resulting from:		
Earnings not subject to taxation	(1,033)	(3,430)
Adjustment to future tax assets for enacted changes in tax laws and rates	(546)	(13,934)
Difference in tax rates between subsidiaries and parent	-	(11)
Valuation allowance	129	8,330
Other	(193)	(318)
Total future income tax expense	$ 26,236	$ (469)

13. Commitments and Contingencies (continued)

l) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

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Valuation allowance	129	8,330
Other	(193)	(318)
Total future income tax expense	$ 26,236	$ (469)

17. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax asset (thousands of dollars):

	2004	2003
Future tax asset:		
Non-capital loss carryforwards	$ -	$ 41,495
Property, plant and equipment - differences in net book value and undepreciated capital cost	49,153	73,176
Other	849	3,029
	50,002	117,700
Less: Valuation allowance	-	(41,499)
Net future tax asset	$ 50,002	$ 76,201

The establishment of future income tax asset is based on known facts and interpretation of circumstances that are influenced by a number of factors. As a result, the recorded amount of this asset could change by a material amount in the near future.

18. Non-Recurring Items

Non-recurring items include the following (thousands of dollars):

	2004	2003
Gain (loss) on:		
Austar United Communications Limited (a)	$ 4,354	$ -
Navigata Holdings Inc. (b)	3,669	-
Writedown of goodwill (c)	-	(9,435)
Provision for Persona Inc. (d)	-	(6,362)
	$ 8,023	$ (15,797)

a) During the year, the Corporation disposed of 9,550,574 shares of Austar United Communications Limited for net proceeds of $6.9 million resulting in a gain on sale of $4.4 million.

b) On March 29, 2004, all of the shares of Navigata Holding, Inc. were sold for $4.5 million. The proceeds consisted of $2.8 million of fibre optic cable facilities and a zero per cent interest bearing note receivable of $1.7 million. A non-cash gain of $3.7 million was recorded on the transaction.

c) In 2003, the Corporation tested the amount allocated to goodwill for Retx, Inc. and determined that a writedown of $9.4 million was required due to a decrease in the fair value of its operations.

d) In 2003, the Corporation recorded a $6.4 million writedown in its investment in Persona Inc. reflecting a decline in value considered to be other than temporary.

19. Related Party Transaction Adjustment

In 2003, the Corporation purchased buildings from a related party for $11.1 million. The buildings were recorded at their carrying value at the transaction date of $7.1 million. The difference of $4.0 million has been charged to retained earnings.

20. Items Not Affecting Cash from Operations

(thousands of dollars)

	2004	2003
Amortization of property, plant and equipment	$ 409,988	$ 424,517
Foreign exchange	(9,257)	(157,394)
Sinking fund earnings	(13,781)	(8,506)
Non-recurring items	(8,023)	15,797
Other non-cash items	89	(43,568)
	$ 379,016	$ 230,846

21. Financial Risk Management

By virtue of its business operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas, the price of electricity and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates risk associated with these financial instruments through Board approved policies; limits on use and amount of exposure; internal monitoring; and compliance reporting to senior management and the Board.

a) Commodity price risk management

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants, for certain power purchase agreements and gas purchased for resale to its customers. As at December 31, 2004, the Corporation had entered into a series of natural gas contracts to manage the price of natural gas.

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Natural gas price hedges owed to (by) the Corporation:				
- swaps	$ -	$ 5.7	$ -	$ (14.0)
- options	11.3	(11.8)	0.4	0.7
- futures	-	(3.5)	-	4.0

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price on December 31, 2004.
ii) Natural gas price options - The relevant index price on December 31, 2004.
iii) Natural gas futures contracts - The relevant index price on December 31, 2004.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. Forward commitments must be backed by physical supply.

17. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax asset (thousands of dollars):

	2004	2003
Future tax asset:		
Non-capital loss carryforwards	$ -	$ 41,495
Property, plant and equipment - differences in net book value and undepreciated capital cost	49,153	73,176
Other	849	3,029
	50,002	117,700
Less: Valuation allowance	-	(41,499)
Net future tax asset	$ 50,002	$ 76,201

The establishment of future income tax asset is based on known facts and interpretation of circumstances that are influenced by a number of factors. As a result, the recorded amount of this asset could change by a material amount in the near future.

18. Non-Recurring Items

Non-recurring items include the following (thousands of dollars):

	2004	2003
Gain (loss) on:		
Austar United Communications Limited (a)	$ 4,354	$ -
Navigata Holdings Inc. (b)	3,669	
Writedown of goodwill (c)	-	(9,435)
Provision for Persona Inc. (d)	-	(6,362)
	$ 8,023	$ (15,797)

a) During the year, the Corporation disposed of 9,550,574 shares of Austar United Communications Limited for net proceeds of $6.9 million resulting in a gain on sale of $4.4 million.

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d) In 2003, the Corporation recorded a $6.4 million writedown in its investment in Persona Inc. reflecting a decline in value considered to be other than temporary.

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20. Items Not Affecting Cash from Operations

(thousands of dollars)

	2004	2003
Amortization of property, plant and equipment	$ 409,988	$ 424,517
Foreign exchange	(9,257)	(157,394)
Sinking fund earnings	(13,781)	(8,506)
Non-recurring items	(8,023)	15,797
Other non-cash items	89	(43,568)
	$ 379,016	$ 230,846

21. Financial Risk Management

By virtue of its business operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas, the price of electricity and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates risk associated with these financial instruments through Board approved policies; limits on use and amount of exposure; internal monitoring; and compliance reporting to senior management and the Board.

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	Carrying Amount	Fair Value	Carrying Amount	Fair Value
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- options	11.3	(11.8)	0.4	0.7
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The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price on December 31, 2004.
ii) Natural gas price options - The relevant index price on December 31, 2004.
iii) Natural gas futures contracts - The relevant index price on December 31, 2004.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. Forward commitments must be backed by physical supply.

21. Financial Risk Management (continued)

b) Foreign currency and interest risk management

The Corporation has an exposure to the United States/Canadian dollar exchange rate primarily through the long-term United States denominated debt that has been incurred by the Corporation. This risk includes exposure to fluctuations in both the principal and coupon payments associated with the United States denominated debt. The Corporation utilizes cross currency swaps and coupon swaps to offer protection from fluctuations on a portion of this debt that is due in the future.

The following summarizes instruments held at each year end (millions of dollars):

	2004			2003	
	Carrying Amount	**Fair Value**	**Repricing/ Maturity Date**	Carrying Amount	Fair Value
Owed to (by) the Corporation:					
Cross currency swaps	**$ (62.0)**	**$ (101.9)**	**2008-2022**	$ (22.0)	$ (30.0)
Interest rate hedges	**-**	**-**		-	(0.1)
Foreign exchange					
- contracts	**25.1**	**1.9**	**2005**	62.0	0.7
- options	**1.0**	**-**		0.5	-

i) Cross currency swaps, interest rate hedges, and foreign exchange contracts are valued at December 31, 2004 market rates.

c) Fair value of financial assets and liabilities

The fair value of the Corporation's financial assets and liabilities is as follows (millions of dollars):

	2004		2003	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term investments (d)	**$ 350.1**	**$ 370.9**	$ 343.4	$ 357.9
Sinking fund equity	**221.7**	**230.9**	194.6	203.4
Long-term debt	**3,245.7**	**3,839.5**	3,146.3	3,843.4

The fair values of the above instruments were based on the following:

i) Long-term investments

Share investments - The fair value of publicly traded share investments is based on their final traded price per share on December 31, 2004, less estimated selling costs.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2004, quoted market value.

21. Financial Risk Management (continued)

b) Foreign currency and interest risk management

The Corporation has an exposure to the United States/Canadian dollar exchange rate primarily through the long-term United States denominated debt that has been incurred by the Corporation. This risk includes exposure to fluctuations in both the principal and coupon payments associated with the United States denominated debt. The Corporation utilizes cross currency swaps and coupon swaps to offer protection from fluctuations on a portion of this debt that is due in the future.

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	Carrying Amount	Fair Value	Repricing/ Maturity Date	Carrying Amount	Fair Value
Owed to (by) the Corporation:					
Cross currency swaps	$ (62.0)	$ (101.9)	2008-2022	$ (22.0)	$ (30.0)
Interest rate hedges	-	-		-	(0.1)
Foreign exchange					
- contracts	25.1	1.9	2005	62.0	0.7
- options	1.0	-		0.5	-

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Share investments - The fair value of publicly traded share investments is based on their final traded price per share on December 31, 2004, less estimated selling costs.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2004, quoted market value.

21. Financial Risk Management (continued)

iii) Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

d) The Corporation has not attempted to determine the fair value of its investments in its equity holdings ($271.1 million), non-publicly traded common shares ($14.9 million), property holdings ($4.5 million), leases receivable ($3.4 million), or certain loans ($31.5 million) due to the costs associated with this type of valuation.

Excluded from the amounts above are $83.4 million of assets held with HARO, and secured by HARO's 65.2 per cent interest in Crown Life. It is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

f) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk as of December 31, 2004.

g) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) cash;
ii) short-term investments;
iii) accounts receivable;
iv) bank indebtedness;
v) accounts payable and accrued liabilities;
vi) notes payable; and,
vii) dividend payable to General Revenue Fund,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

22. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2005	$ 64,851
2006	57,022
2007	27,358
2008	24,401
2009	17,088
Thereafter	5,713
	$ 196,433

23. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

	2004	2003
Accounts receivable	$ 13.0	$ 9.8
Accounts payable and accrued liabilities	7.8	2.7
Sales of products and services	144.0	112.9
Operating costs	170.3	155.4
Costs capitalized	1.5	5.0
Deferred revenue	-	4.3

On April 1, 2004 substantially all the Corporations' property holdings were transferred at book value to the General Revenue Fund, for cancellation of GRF short and long-term debt. Carrying value of the assets and liabilities transferred were as follows:

Property holdings	$ 153.0
Accounts receivable	0.5
Accounts payable	2.1
Deferred revenue	4.0
Notes payable	27.0
Long-term debt	125.0

The net liability of $4.6 million will be settled by the transfer of buildings under construction at the time of completion.

During 2004, the Corporation received $Nil (2003 - $6.6 million) in grants from the GRF. At December 31, 2004 the Corporation held $4.2 million (2003 - $3.6 million) in Government of Saskatchewan bonds. In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

24. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Canadian Power Consultants, Centennial Foods Partnership, Cory Cogeneration Fund Corporation, Cory Cogeneration Joint Venture, Foragen Technologies Limited Partnership, Heritage Gas Limited, Hypor B.V., Hypor LP, Meadow Lake Pulp Limited Partnership, and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

	2004	2003
Current assets	$ 170,800	$ 151,626
Long-term assets	328,986	401,274
Current liabilities	108,445	90,719
Long-term liabilities	155,490	171,142
Revenue	808,268	692,074
Expenses	771,937	659,381
Net earnings	36,331	32,693
Cash provided by operating activities	106,135	72,387
Cash used in financing activities	(83,224)	(21,662)
Cash provided by (used in) investing activities	1,332	(35,416)

25. Employee Future Benefits

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using managements' best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. Results from the latest valuations for SaskTel and SGI are projected to December 31, 2004. The major assumptions used in the valuations are as follows:

Economic assumptions:

	2004		
	SaskTel	SGI	SaskPower
Discount rate - end of period	5.90%	5.60%	6.25%
Expected return on plan assets	7.00%	6.75%	7.00%
Inflation rate	1.90%	3.00%	3.00%
Expected salary increase	1.90%	4.00%	4.00%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	12/31/03	12/31/02	09/30/04

22. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

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Economic assumptions:

	2004		
	SaskTel	SGI	SaskPower
Discount rate - end of period	5.90%	5.60%	6.25%
Expected return on plan assets	7.00%	6.75%	7.00%
Inflation rate	1.90%	3.00%	3.00%
Expected salary increase	1.90%	4.00%	4.00%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	12/31/03	12/31/02	09/30/04

25. Employee Future Benefits (continued)

	2003		
	SaskTel	SGI	SaskPower
Discount rate - end of period	6.20%	6.10%	6.50%
Expected return on plan assets	7.25%	6.75%	7.20%
Inflation rate	2.20%	3.00%	3.00%
Expected salary increase	2.20%	4.00%	4.00%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	12/31/01	12/31/02	09/30/03

Information about the Corporation's defined benefit plans is as follows (thousands of dollars):

	2004			2003
	SaskTel	SGI	SaskPower	Combined
Accrued benefit obligation				
Accrued benefit obligation, beginning of year	$ 835,024	$ 49,777	$ 701,410	$ 1,538,675
Current service cost	13,227	247	7,143	19,144
Interest cost	51,453	2,738	42,973	95,808
Benefits paid	(44,684)	(10,216)	(40,244)	(86,242)
Impact of change in actuarial assumptions	21,205	-	-	568
Experience and other	(4,116)	-	-	(724)
Special termination benefit	28,412	-	-	-
Actuarial loss on accrued benefit obligation	-	2,175	5,165	18,982
Accrued benefit obligation, end of year	$ 900,521	$ 44,721	$ 716,447	$ 1,586,211

	2004			2003
	SaskTel	SGI	SaskPower	Combined
Plan assets				
Fair value of plan assets, beginning of year	$ 734,719	$ 50,658	$ 648,319	$ 1,369,800
Actual return on plan assets	82,649	3,859	70,633	136,080
Funding contributions	42,379	76	2,196	14,116
Benefits paid	(44,684)	(10,216)	(40,244)	(86,300)
Fair value of plan assets, end of year	$ 815,063	$ 44,377	$ 680,904	$ 1,433,696
Funded status - plan surplus (deficit)	$ (85,458)	$ (344)	$ (35,543)	$ (152,515)
Unamortized transitional asset	(50,794)	(3,854)	64,244	(86,121)
Unamortized past service cost	17,581	-	461	22,474
Unamortized net actuarial losses	173,956	3,544	(14,194)	283,938
Corporate contributions	-	-	7,071	-
Accrued pension asset (liability)	$ 55,285	$ (654)	$ 22,039	$ 67,776

25. Employee Future Benefits (continued)

The defined benefit plan pension expense (income) is as follows (thousands of dollars):

	2004			2003
	SaskTel	SGI	SaskPower	Combined
Current service cost - defined benefit plan	$ 10,282	$ 171	$ 4,947	$ 13,313
Interest cost	51,452	2,738	42,973	95,808
Expected return on pension plan assets	(55,451)	(3,077)	(44,051)	(101,385)
Special termination benefits cost	28,412	-	-	-
Amortization of net transitional asset	(11,675)	(743)	(4,861)	(17,258)
Amortization of past service costs	4,303	-	129	4,234
Amortization of actuarial (gains) losses	8,383	(70)	3,758	8,546
Defined benefit plan pension (income) expense	$ 35,706	$ (981)	$ 2,895	$ 3,258

The asset allocation of the defined benefit pension plans are as follows:

	2004		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investment	9%	3%	-%
Bond and debentures	31%	55%	35%
Canadian equities	29%	17%	25%
U.S. equities	19%	14%	12%
Foreign equities	7%	11%	28%
Real estate	5%	-%	-%

Other benefit plans

Other benefit plans include a defined severance plan for certain employees and the supplementary superannuation plan provided to management employees (thousands of dollars):

	2004				2003
	SaskTel	SGI	SaskPower	SaskEnergy	Combined
Present value of accrued benefits	$ 21,345	$ 3,255	$ 45,508	$ 12,239	$ 76,545
Accrued benefit liability	13,969	2,431	26,604	12,239	48,471
Benefits paid	1,106	430	5,278	494	6,568
Net expense	2,949	384	8,915	2,502	12,218

25. Employee Future Benefits (continued)

	2003		
	SaskTel	SGI	SaskPower
Discount rate - end of period	6.20%	6.10%	6.50%
Expected return on plan assets	7.25%	6.75%	7.20%
Inflation rate	2.20%	3.00%	3.00%
Expected salary increase	2.20%	4.00%	4.00%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	12/31/01	12/31/02	09/30/03

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Accrued benefit liability	13,969	2,431	26,604	12,239	48,471
Benefits paid	1,106	430	5,278	494	6,568
Net expense	2,949	384	8,915	2,502	12,218

25. Employee Future Benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporations accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are :

	2004			
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**
Discount rate	**6.80%**	**5.60%**	**6.00%**	**4.50%**
Long-term rate of compensation increases	**2.80%**	**4.00%**	**4.00%**	**3.00%**
Remaining service life (years)	**15.70**	**10.00**	**11.21**	**8.40**

	2003			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	6.80%	5.60%	6.25%	5.00%
Long-term rate of compensation increases	2.80%	4.00%	4.00%	3.00%
Remaining service life (years)	15.70	10.00	12.17	8.60

Defined Contribution Pension Plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. During the year, the Corporation paid $24.7 million (2003 - $24.1 million) into these plans.

26. Subsequent Event

On February 3, 2005, the Canadian Radio-television and Telecommunications Commission (CRTC) released Telecom Decision CRTC 2005-6, Competitor Digital Network Services, which finalized the terms and conditions under which the Corporation is to provide digital network services to other telecommunications carriers. The CRTC determined that the Corporation's interim Competitor Digital Network Access rates are to be replaced, retroactively to June 1, 2002, by rates equal to the Corporation's retail digital network access rates.

As a result of the current decision, the Corporation will record total revenues of $11.3 million in 2005 related to services previously provided from June 1, 2002 through December 31, 2004 related to the interim rates set by the CRTC in 2002.

27. Comparative Figures

Certain of the 2003 comparative figures have been reclassified to conform to current year's presentation.

25. Employee Future Benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporations accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are :

	2004			
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**
Discount rate	**6.80%**	**5.60%**	**6.00%**	**4.50%**
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27. Comparative Figures

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Crown Investments Corporation of Saskatchewan
Non-Consolidated Financial Statements

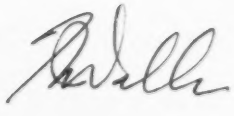
Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1(a) to the financial statements, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

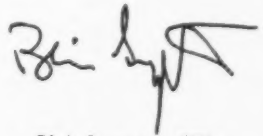
The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Tom J. Waller, Q.C.
President & CEO



Blair Swystun, CFA
Vice-President & CFO

March 14, 2005

Auditors' Report

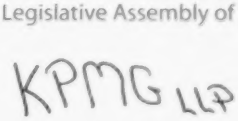
To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2004 and the non-consolidated statements of operations and retained earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at **December 31, 2004** and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.



Chartered Accountants
Regina, Saskatchewan

March 14, 2005

Non-Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	2004	2003
ASSETS		
Cash and short-term investments (Note 3)	$ 245,337	$ 160,019
Interest and accounts receivable	286	707
Dividends receivable	120,261	134,101
Equity advances to Crown corporations (Note 4)	1,050,382	1,050,382
Investments in share capital corporations (Note 5)	377,469	377,469
Equipment (Note 6)	538	633
	$ 1,794,273	$ 1,723,311
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable	$ 3,301	$ 2,314
Dividend payable to General Revenue Fund	263,000	200,000
	266,301	202,314
Province of Saskatchewan's Equity		
Equity advances (Note 7)	1,181,152	1,181,152
Retained earnings	346,820	339,845
	1,527,972	1,520,997
	$ 1,794,273	$ 1,723,311

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Pat Atkinson

Director

Maynard Sonntag

Director

Non-Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	2004	2003
ASSETS		
Cash and short-term investments (Note 3)	$ 245,337	$ 160,019
Interest and accounts receivable	286	707
Dividends receivable	120,261	134,101
Equity advances to Crown corporations (Note 4)	1,050,382	1,050,382
Investments in share capital corporations (Note 5)	377,469	377,469
Equipment (Note 6)	538	633
	$ 1,794,273	$ 1,723,311
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable	$ 3,301	$ 2,314
Dividend payable to General Revenue Fund	263,000	200,000
	266,301	202,314
Province of Saskatchewan's Equity		
Equity advances (Note 7)	1,181,152	1,181,152
Retained earnings	346,820	339,845
	1,527,972	1,520,997
	$ 1,794,273	$ 1,723,311

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Pat Atkinson

Director

Maynard Sonntag

Director

Non-Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands of dollars)

	2004	2003
REVENUE		
Dividend (Note 9)	$ 347,637	$ 293,162
Interest	3,152	3,606
Other	72	369
	350,861	297,137
EXPENSES		
General, administrative and other	8,774	15,440
Interest	8	2,542
Amortization	225	261
	9,007	18,243
Earnings before the following	341,854	278,894
Grant to Saskatchewan Transportation Company	(5,600)	(3,500)
Grant to Saskatchewan Water Corporation	(9,233)	(1,100)
Public policy expenditure (Note 10)	(52,046)	-
NET EARNINGS	274,975	274,294
RETAINED EARNINGS, BEGINNING OF YEAR	339,845	265,551
	614,820	539,845
DIVIDEND TO GENERAL REVENUE FUND	(268,000)	(200,000)
RETAINED EARNINGS, END OF YEAR	$ 346,820	$ 339,845

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	2004	2003
OPERATING ACTIVITIES		
Net earnings	$ 274,975	$ 274,294
Add (deduct) non-cash items:		
Amortization	225	261
Sinking fund earnings	-	(650)
	275,200	273,905
Net change in non-cash working capital balances related to operations (Note11)	15,248	(116,907)
Cash provided by operating activities	290,448	156,998
INVESTING ACTIVITIES		
Purchase of investments	-	(10,981)
Purchase of equipment	(154)	(117)
Proceeds from sale of equipment	24	-
Cash used in investing activities	(130)	(11,098)
FINANCING ACTIVITIES		
Decrease in notes payable	-	(10,048)
Long-term debt repayments	-	(154,108)
Long-term debt transferred	-	(20,919)
Sinking funds transferred	-	5,558
Sinking fund redemptions	-	154,260
Dividend paid	(205,000)	(300,000)
Cash used in financing activities	(205,000)	(325,257)
NET INCREASE (DECREASE) IN CASH DURING YEAR	85,318	(179,357)
CASH POSITION, BEGINNING OF YEAR	160,019	339,376
CASH POSITION, END OF YEAR	$ 245,337	$ 160,019

(See accompanying notes)

Non-Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands of dollars)

	2004	2003
REVENUE		
Dividend (Note 9)	$ 347,637	$ 293,162
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CASH POSITION, END OF YEAR	$ 245,337	$ 160,019

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2004

1. Summary of Significant Accounting Policies

The non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries and investment, over which it is able to exercise significant influence, are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

With the exception of Investment Saskatchewan Inc., Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital Crown subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when declared.

d) Equipment

Equipment is recorded at cost. When these assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment is amortized using the following methods:

Computer equipment	- 30% declining balance
Furniture and equipment	- 20% declining balance
Computer software	- 3 years straight-line
Leasehold improvements	- over life of lease

1. Summary of Significant Accounting Policies (continued)

e) Fair value disclosure of short-term financial instruments

For certain of CIC's financial instruments including:

i) cash and short-term investments;
ii) interest and accounts receivable;
iii) dividends receivable;
iv) accounts payable; and
v) dividend payable to General Revenue Fund

the carrying amounts approximate fair value due to their immediate or short-term maturity.

f) Cash position

Cash position includes cash held within CIC's bank accounts and short-term investments which mature on or before March 31, 2005.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of *The Crown Corporations Act, 1993* (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Notes to Non-Consolidated Financial Statements

December 31, 2004

3. Cash and Short-Term Investments

Included in cash and short-term investments are $245.2 million (2003 - $159.9 million) in short-term investments maturing on or before March 31, 2005 and carry an average interest rate of 2.53 per cent (2003 - 2.62 per cent).

4. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):

	2004	2003
Saskatchewan Power Corporation	$ 660,000	$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Government Insurance	55,000	55,000
Information Services Corporation of Saskatchewan	12,000	12,000
Saskatchewan Development Fund Corporation	1,150	1,150
Saskatchewan Water Corporation	700	700
Saskatchewan Government Growth Fund Management Corporation	1	1
	$ 1,050,382	$ 1,050,382

5. Investments in Share Capital Corporations

(thousands of dollars)

	Voting Percentage	2004	2003
Investment Saskatchewan Inc. (a):			
53,019,383 (2003 - 34,000,000) common shares	100%	$ 530,194	$ 340,000
Due to CIC		-	190,194
		530,194	530,194
NewGrade Energy Inc. (b):			
100 (2003 - 100) Class Y voting participating common shares	50%	50,001	50,001
		580,195	580,195
Write down of investments:			
Investment Saskatchewan Inc.		(152,725)	(152,725)
NewGrade Energy Inc.		(50,001)	(50,001)
		$ 377,469	$ 377,469

5. Investments in Share Capital Corporations (continued)

a) Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.) was restructured on September 3, 2003 as a CIC Crown corporation to which provisions of *The Crown Corporations Act, 1993* apply. As part of the restructuring pursuant to Order in Council 64/2004 dated February 11, 2004, CIC converted all non-interest bearing loans from Investment Saskatchewan Inc. totaling $190,193,830 into 19,019,383 common shares of Investment Saskatchewan Inc. The Corporation continues as a share capital entity.

b) CIC owns 50.0 per cent of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation.

CIC is committed to funding any operating shortfall of NewGrade at the end of any year. CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40 million outstanding at any time.

c) The securities of Investment Saskatchewan Inc. and NewGrade are not publicly traded and therefore have no quoted market value. As a result the Corporation has not attempted to determine the fair value of those investments.

6. Equipment
(thousands of dollars)

	Cost	2004 Accumulated Amortization	Net Book Value	2003 Net Book Value
Equipment	$ 3,120	$ 2,582	$ 538	$ 633

7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

3. Cash and Short-Term Investments

Included in cash and short-term investments are $245.2 million (2003 - $159.9 million) in short-term investments maturing on or before March 31, 2005 and carry an average interest rate of 2.53 per cent (2003 - 2.62 per cent).

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	$ 1,050,382	$ 1,050,382

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(thousands of dollars)

	Voting Percentage	2004	2003
Investment Saskatchewan Inc. (a):			
53,019,383 (2003 - 34,000,000) common shares	100%	$ 530,194	$ 340,000
Due to CIC		-	190,194
		530,194	530,194
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		580,195	580,195
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7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2004, the GRF's exposure under the guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2005.

b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $25.9 million (2003 - $35.6 million).

c) CIC guaranteed Meadow Lake Pulp Limited Partnership's long-term debt payments to a maximum of $54.0 million at December 31, 2004. CIC has been indemnified by Investment Saskatchewan Inc. if there is any call on this facility.

d) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2005.

9. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars):

	2004	2003
Saskatchewan Telecommunications Holding Corporation	$ 88,009	$ 76,564
SaskEnergy Incorporated	70,000	26,660
NewGrade Energy Inc.	60,424	7,651
Saskatchewan Power Corporation	59,768	168,505
Investment Saskatchewan Inc.	42,341	-
Saskatchewan Government Insurance	27,095	13,782
	$ 347,637	$ 293,162

10. Public Policy Expenditure

The Corporation through Cabinet was directed to provide the lowest combined costs in Canada for certain residential products provided by its subsidiaries Saskatchewan Power Corporation (residential power), Saskatchewan Telecommunications Holding Corporation (basic residential phone service), SaskEnergy Incorporated (residential heating) and Saskatchewan Government Insurance (basic car insurance).

During the year it was determined that CIC would need to provide $1.37 per household to meet the directive. Each payout was delivered as a credit on one of each household's Saskatchewan Telecommunications Holding Corporation, Saskatchewan Power Corporation or SaskEnergy Incorporated bill.

11. Net Change in Non-Cash Working Capital Balances Related to Operations
(thousands of dollars)

	2004	2003
Decrease (increase) in interest and accounts receivable	$ 421	$ (133)
Decrease (increase) in dividends receivable	13,840	(105,022)
Increase (decrease) in interest and accounts payable	987	(11,752)
	$ 15,248	$ (116,907)

12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows (thousands of dollars):

	2004	2003
Category (as per financial statements)		
Accounts receivable	$ 11	$ 505
Accounts payable	2,362	1,412
General, administrative and other expenses	620	616
Other revenue	65	-

In addition, CIC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to Saskatchewan Government Growth Fund Management Corporation, without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

13. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2004 was $215.7 thousand (2003 - $352.8 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2004 exceed the actuarially determined net present value of retirement annuities payable.

8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2004, the GRF's exposure under the guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2005.

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c) CIC guaranteed Meadow Lake Pulp Limited Partnership's long-term debt payments to a maximum of $54.0 million at December 31, 2004. CIC has been indemnified by Investment Saskatchewan Inc. if there is any call on this facility.

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DIRECTORY

Crown Investments Corporation of Saskatchewan
400 - 2400 College Avenue
Regina, Saskatchewan
S4P 1C8
Inquiry: **(306) 787-6851**
President: **Tom Waller, Q.C.**
Web site: **www.cicorp.sk.ca**

Subsidiaries

Information Services Corporation of Saskatchewan
300 - 10 Research Drive
Regina, Saskatchewan S4P 3V7
Inquiry: (306) 787-1437
President: Mark MacLeod
Web site: www.isc-online.ca

Investment Saskatchewan Inc.
1800 - 1874 Scarth St.
Regina, Saskatchewan S4P 4B3
Inquiry: (306) 787-7200
President: Janet Wightman
Web site: www.investsask.com

Saskatchewan Development Fund Corporation
400 – 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-5914
General Manager: Don Axtell

Saskatchewan Government Growth Fund
Management Corporation
400 - 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
President: Don Axtell
Web site: www.sggfmc.com

Saskatchewan Government Insurance
2260 - 11th Avenue
Regina, Saskatchewan S4P 0J9
Inquiry: (306) 751-1200
President: Jon Schubert
Web site: www.sgi.sk.ca

Saskatchewan Opportunities Corporation
140 - 10 Research Drive
Regina, Saskatchewan S4S 7J7
Inquiry: (306) 798-7275
President: Doug Tastad
Web site: www.innovationplace.com

Saskatchewan Power Corporation
2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: (306) 566-2121
President: Patricia Youzwa
Web site: www.saskpower.com

Saskatchewan Telecommunications
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: (306) 777-3737
President: Robert Watson
Web site: www.sasktel.com

Saskatchewan Transportation Company
2041 Hamilton Street
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-3347
President: Ray Clayton
Web site: www.stcbus.com

Saskatchewan Water Corporation
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 7X9
Inquiry: (306) 694-3900
President: Stuart Kramer
Web site: www.saskwater.com

SaskEnergy Incorporated
1777 Victoria Avenue
Regina, Saskatchewan S4P 4K5
Inquiry: (306) 777-9225
President: Doug Kelln
Web site: www.saskenergy.com

Pat Atkinson
Minister

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